



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

San Bernardino County
California

For the Fiscal Year Beginning

July 1, 2007

A handwritten signature in blue ink, reading "Charles S. Cox".

President

A handwritten signature in blue ink, reading "Jeffrey R. Enos".

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to **San Bernardino County, California** for the Annual Budget beginning July 1, 2007. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



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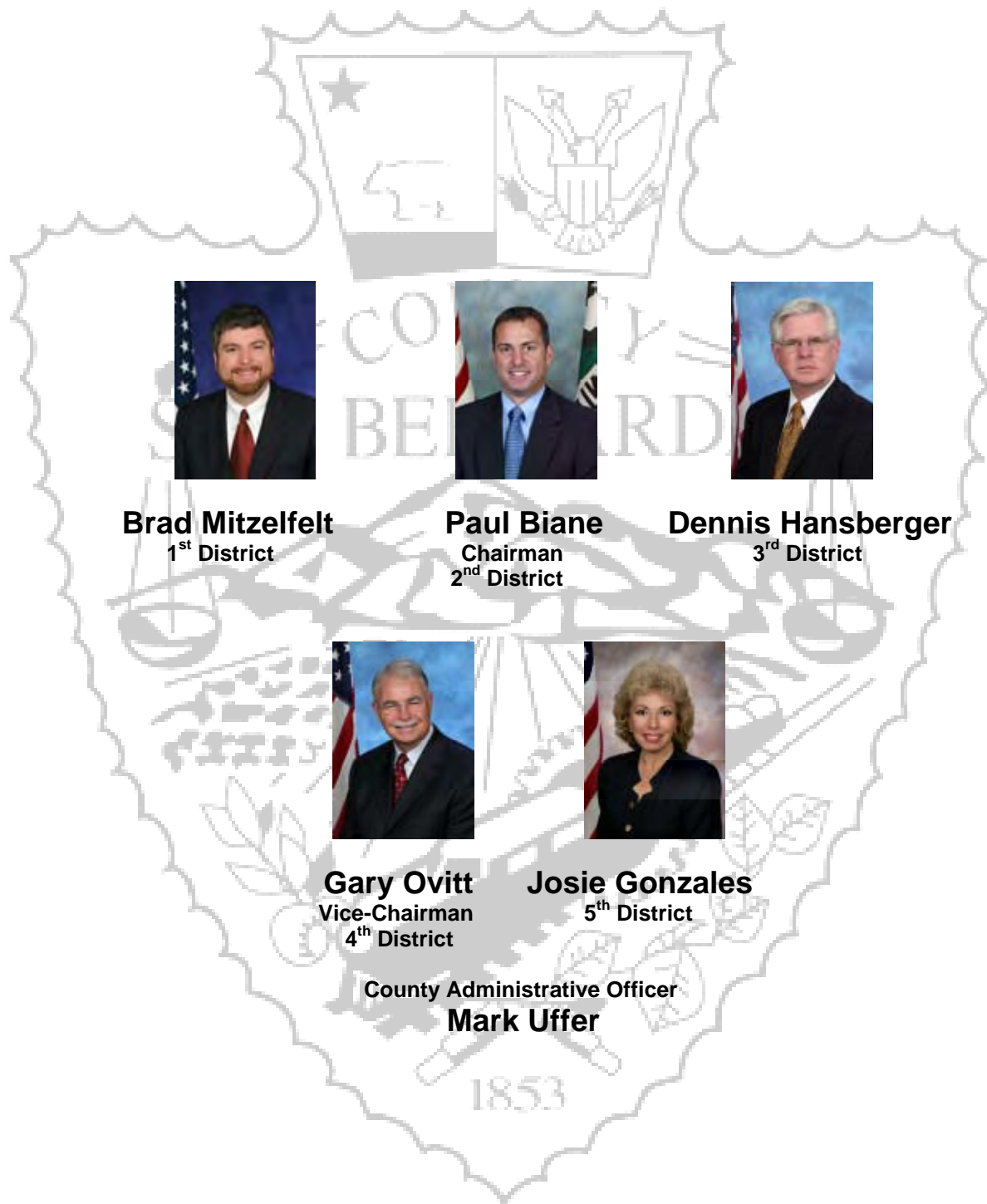


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COUNTY MISSION STATEMENT

The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the health, safety, well being, and quality of life of its residents according to the County Charter, general laws, and the will of the people it serves.



As the County Administrative Officer for the County of San Bernardino, I am pleased to present the 2008-09 Final Budget on behalf of the Board of Supervisors to the residents of San Bernardino County. This document, which was adopted on June 24, 2008, stands as a fiscally sound spending plan, provides for the operational needs of County departments, and preserves the current level of service while addressing the County's growth.

The use of County resources continues to focus in the areas of public safety; capital improvements; economic development; and planning for the future. Additionally, we continue to spotlight customer service by expanding our Service FIRST program and improving resident's access to county services through enhancements in technology.

THE BUDGET IN BRIEF

The County produces two budget books. This budget book presents the General Fund, restricted financing funds, special revenue funds, capital project funds, and enterprise funds. Additionally, there is a budget book for Board Governed Special Districts. The total spending authority for the County and Board Governed Special Districts in 2008-09 is \$3.8 billion and \$0.5 billion, respectively for a combined total of \$4.3 billion.

The General Fund spending authority totals \$2.4 billion and is funded by countywide discretionary revenues, financing transfers from departments, the use of reserves, and the beginning fund balance of the General Fund. Of this \$2.4 billion, the Board of Supervisors has discretion over \$698.1 million.

When the 2008-09 final budget was adopted, there was \$59.7 million in general purpose reserves and \$219.8 million in specific purpose reserves, including \$38.9 million in ongoing set-asides established to fund the annual costs for the County's future space needs, retirement costs, the jail expansion and a new juvenile detention facility. These ongoing set-asides, if unspent at the end of the fiscal year, will be transferred to the corresponding specific purpose reserve.

2008-09 HIGHLIGHTS

Health

The three major health departments are committed to the concept of integration – integrating health care services in community-based, full-service clinics thereby bringing the most efficient, service-oriented health care to the residents of San Bernardino County. With Public Health providing preventive care, Arrowhead Regional Medical Center (ARMC) providing primary care, and Behavioral Health providing comprehensive mental health services, the County will be in a position to provide unparalleled access to a full range of health care services to the community. In addition to integration efforts, ARMC has successfully redesigned its Emergency Room Operations in order to better serve its patients. This redesign has significantly reduced wait times and has improved service delivery overall. For Behavioral Health, continued funding from the Mental Health Services Act will allow the department to realize full-service partnerships throughout the community, building a system of care and treatment to target the homeless, incarcerated, and ethnic communities.

Safety

In the area of Safety, the County is continuing to support the comprehensive crime prevention and neighborhood revitalization program, Operation Phoenix, which began in the City of San Bernardino and was expanded to include unincorporated areas of the County. In the High Desert, resources are being allocated to support gang suppression in a program called Desert HEAT. Funds were also allocated for fire and emergency services. These allocations include funds for the design of a new fire station to be constructed in the Ludlow/Amboy area, for continuation of the Telephone Emergency Notification System (TENS), which is the reverse 911 notification system, and for background checks of citizens wanting to participate in the Citizens Emergency Response Team, which assists communities during disasters.

Well-Being

Funding increases in the Human Services subsistence programs of Foster Care, CalWORKs, and Aid to Adoptive Children were made to assist residents in need as a result of the slowing economy. In Land Use Services, funding was allocated for the development or completion of several plans, including the Santa Ana Wash; the Snow Drop Road specific plan; the establishment of a regional conservation strategy for the West Mojave area; and comprehensive guides for quality land development for two areas, Cedar Avenue and Helendale-Silver Lakes. For Airports, an incentive fund was established last year with the goal of attracting and retaining businesses at the Chino Airport. Funding for this economic plan is continued in the upcoming year.

Quality of Life

The County Library continues to expand its physical capacity and its use of computer and electronic resources. New mid-year additions include library branches in the Chino Hills and Phelan areas. Funding assistance is also planned for the Bloomington Library located on the Bloomington High School campus. Technology plans for the County Library include expansion of the use of radio frequency identification and installation of self-service checkout equipment at the libraries. The County Museum received funding for exhibit fabrication for the new Hall of Geological Wonders.

The County continues to improve public access to information and services through enhancements in technology. While the public has had the ability to receive electronic updates of selected departmental information through email for some time, this service began with a limited number of departments. It has now become available to all departments. The public is able to communicate with Board staff and access current information via the Board of Supervisors website. The Clerk of the Board recently updated its Internet website to include video broadcasts of Board meetings. Other service delivery enhancements that will be forthcoming include Land Use Services' plans to utilize an electronic process for development and construction plan review and a new web-based reservation system for Regional Parks.

In August 2007, the County began its "Green County San Bernardino" initiative as a way of preserving our environment. Resource conservation continues to be an area the County is actively pursuing. With regard to water conservation and electricity use, funding was provided in 2008-09 to Facilities Management for assessment of utility usage and the use of alternative energy sources. Additionally, this department is developing a California Friendly Landscaping Research Project that includes the testing of irrigation equipment, water conservation, and landscaping options. In order to improve air quality and reduce fuel consumption, the Fleet Management Department continues to incorporate ultra low emission vehicles (ULEV), including hybrid vehicles, into the County fleet.

CHALLENGES IN FISCAL YEAR 2008-09 AND BEYOND

As the population of the County continues to increase, the needs of the County continue to grow. Challenges facing the County include State and Federal budget impacts, increases in salary and benefit costs from pending negotiations, the economic slowdown and its impact on County revenues and services, and changes in the municipal bond market.

State and Federal funding reductions are anticipated. Adjustments for these impacts will be made mid-year in the County budget after the impacts are known. As a result of our strong financial management and conservative budgeting practices, the County has notable contingencies in the 2008-09 financial plan that will assist in lessening the effect of the State budget crisis.

The County faces the challenge of funding increased costs with revenues that are not expected to perform well in the near term. Salary and benefit cost increases for many of the County's employee representation units were not known when this budget was adopted. As such, these costs are not included in the budget. Since the adoption of the Final Budget, several representation units have signed agreements and other units are still in negotiations.

Decreases in the taxable values of properties result in reduced growth in property related revenues, which make up more than two-thirds of the County's ongoing discretionary funding. In anticipation, the County has been conservative in its budgeting of property-related revenues, especially those that are most susceptible to market changes. In addition, the County chose in prior years, when revenues were growing substantially, to dedicate and set-aside increases in ongoing funding sources to pay for future capital projects and increases in future retirement costs. Even with these mitigations, the County will be faced with the challenge of continuing to provide quality services to its residents while managing the impacts of reduced revenue growth.

The economic slowdown is evidenced by an increasing unemployment rate, inflation, a decline in housing sales and prices, increases in foreclosures, and slowing retail sales. How much further the decline will go remains uncertain.

In an attempt to assist residents of the County in the slowing economy, the Department of Economic Development is intensifying its efforts to deliver needed services that focus on reemployment, job identification and job training. Additionally, the department will be applying for Federal funds to assist in re-occupying foreclosed homes.

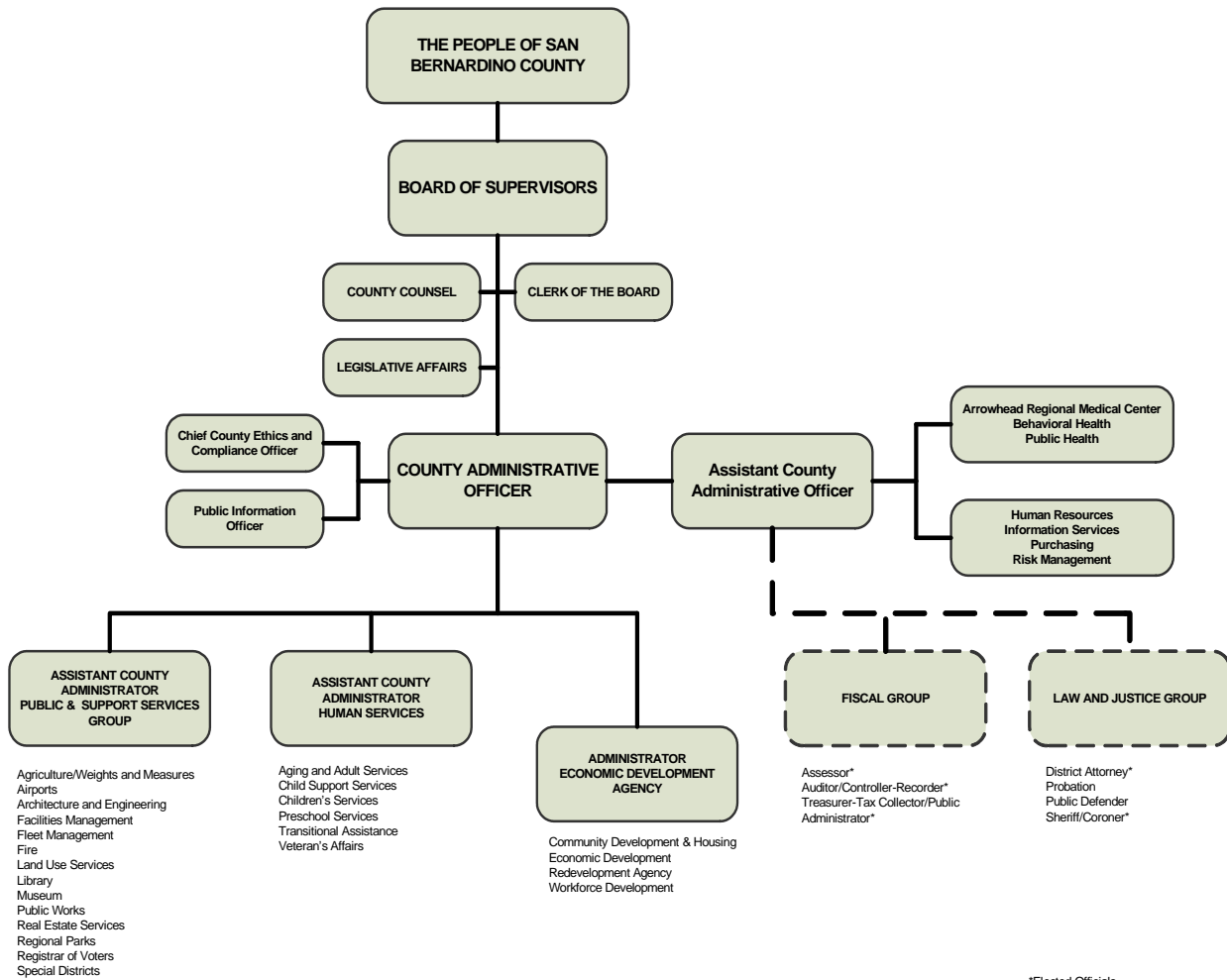
In recent months, mortgage-related losses have put investment banks and municipal bond insurers under increasing financial pressure. This has resulted in the decline in the ratings of many of these firms and a questionable future outlook for some of these major financial institutions. Because most of the County's bonds are insured, the downgrade in the ratings of municipal bond insurers has also negatively affected the rating on the related County bonds. These downgrades, coupled with reduced demand for bonds from usual purchasers, have resulted in higher interest rates for certain types of bonds. To address these issues, the County refinanced all of its variable rate auction bonds and continues to monitor all of its outstanding long-term debt for negative impacts. The County is also exploring options to address increased interest rates related to insurance-backed variable rate demand bonds. As a result of this market turmoil, the County may continue to experience higher-than-typical interest costs and access to the municipal credit markets may be weakened, potentially increasing the estimated cost of the County's upcoming capital projects.

CONCLUSION

The 2008-09 San Bernardino County Budget meets the County's budget objectives and addresses the major policy issues that face the County. As the County enters a new year and looks forward to the challenges that lie ahead in future years, it will continue to strive to efficiently and effectively meet the needs and priorities of San Bernardino County citizens.

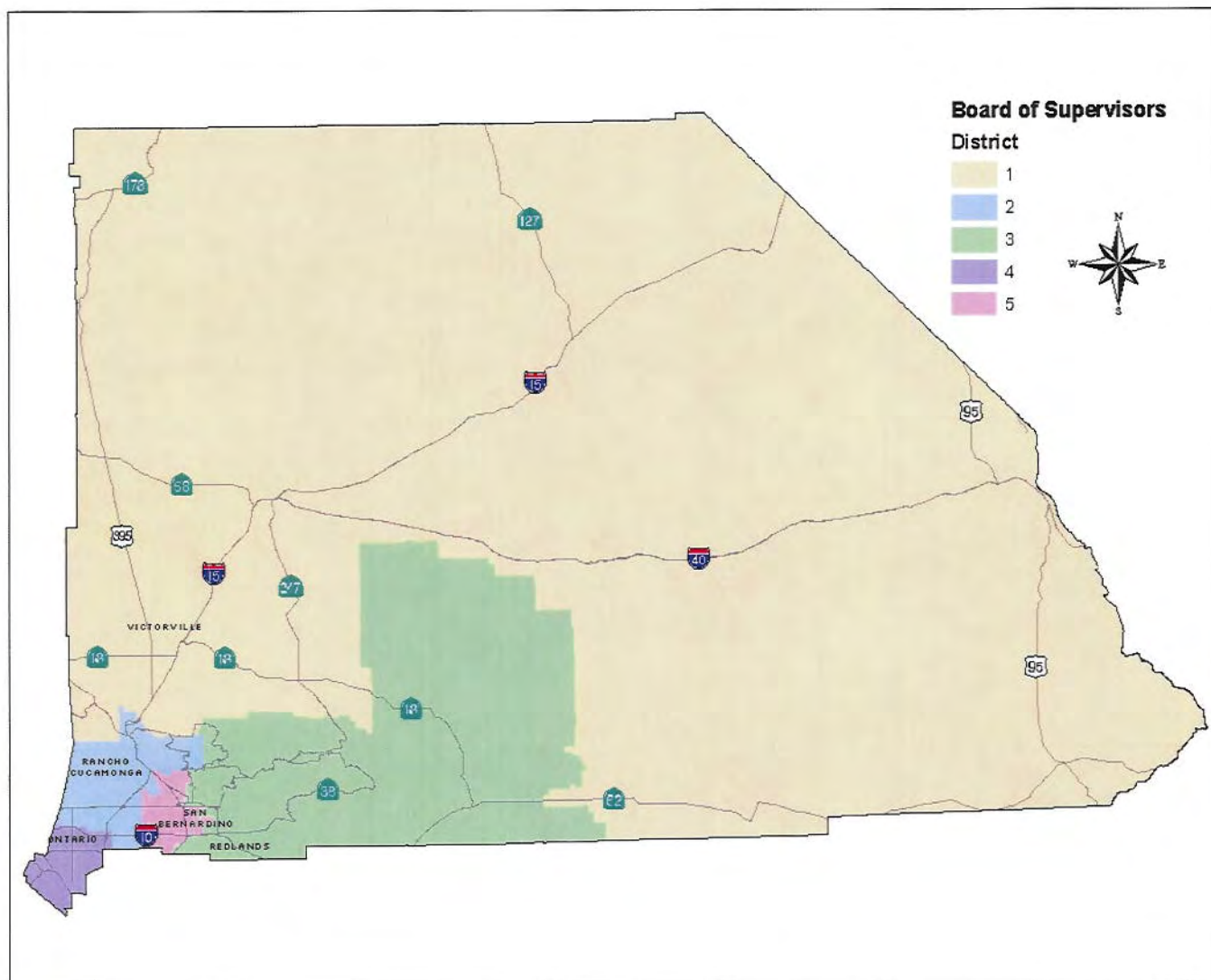


MARK H. UFFER
County Administrative Officer



*Elected Officials





*Each city included in this County Map is the largest city in its respective district.

County formed in 1853

County Seat: San Bernardino

The County is a charter County divided into five supervisorial districts based on population.

The County is governed by a five-member Board of Supervisors. Members serve four-year terms.

The Chairman and Vice Chairman are elected by and from members of the Board.



COUNTY OF SAN BERNARDINO COUNTYWIDE FACTS AND FIGURES

SIZE:

20,160 square miles (largest county in the contiguous United States by area)

ELEVATION:

Highest Elevation, Mt. San Gorgonio, 11,502 ft.

INCORPORATED CITIES:

24

POPULATION BY CITY

INCORPORATED CITY	TOTAL 1/1/2008 ESTIMATED POPULATION
Adelanto	28,181
Apple Valley	70,092
Barstow	23,952
Big Bear Lake	6,256
Chino	82,670
Chino Hills	78,957
Colton	51,918
Fontana	188,498
Grand Terrace	12,543
Hesperia	87,820
Highland	52,503
Loma Linda	22,632
Montclair	37,017
Needles	5,807
Ontario	173,690
Rancho Cucamonga	174,308
Redlands	71,807
Rialto	99,767
San Bernardino	205,493
Twentynine Palms	27,966
Upland	75,137
Victorville	107,408
Yucaipa	52,063
Yucca Valley	21,268
Total Incorporated	1,757,753
Total Unincorporated	298,013
Total County of San Bernardino	2,055,766

Source: State of California, Department of Finance, E-1: Population Estimate with Annual Percentage Change- January 1, 2007 and 2008. Sacramento, California, May 2008.

UNEMPLOYMENT: 8.5% (July 2008)

Source: California Employment Development Department, Labor Market Information

MAJOR COUNTY EMPLOYERS (July 2007):

Employer	Employees
County	18,946
National Training Center*	14,025
Loma Linda University Health Center*	12,851
US Marine Corp Air/Ground Center*	12,486
Stater Bros.	7,900

Source: The Business Press, Copyright 2008

Note: Information was provided by the companies, agencies and institutions in this listing at the request of The Business Press. Business Press relied on each organization to report information completely and accurately. Several organizations were invited to provide information for the Business Press publication, but had not done so at press time.

* 2007 figures

MAJOR COUNTY TAXPAYERS (Secured Taxpayers-2008-09 Property Tax Rolls)

Name	Assessed Value
Southern California Edison	\$1,561,256,753
Prologis	\$766,973,433
Verizon California, Inc.	\$685,625,497
Catellus	\$628,218,846
Loma Linda University	\$508,770,574
Majestic Realty Co.	\$481,611,538
Cemex	\$436,223,997
Kaiser	\$436,141,481
Riverside Cement Company	\$412,673,326
California Steel	\$401,003,713

Source: County of San Bernardino, Assessor and Auditor-Controller/Recorder Property Tax Division.

EMPLOYMENT MIX (2007):

Services	556,200
Retail Trade	87,800
Government	119,100
Construction	42,900
Transportation & Public Utilities	171,400
Wholesale trade	35,200
Farming	3,100
Finance, insurance & real estate	27,000
Mining	600

Source: California Employment Development Department, SB County – Industry Employment and Labor Force – By Annual Average, August 15, 2008.



MEDIAN HOME PRICE (2007): \$350,000

Source: Data Quick Information Systems, 2008.

ASSESSED VALUATIONS (FY 2008-09):

\$187,190,591,729

MEDIAN FAMILY INCOME**(2007 estimate):** \$61,702

Source: U.S. Census Bureau, 2007 American Community Survey

PER CAPITA PERSONAL INCOME: \$27,134 (2006)

Source: California Employment Development Department, Labor Market Information.

TAXABLE SALES (FY 2006-07): \$31,110,107,000

Source: State Board of Equalization

REGIONAL PARKLAND:

9,200 acres

COUNTY LIBRARY:

30 Branches

UNIVERSITIES/COMMUNITY COLLEGES

(Ranked by # of students):

Four Year Universities (Fall 2007)

1. California State University San Bernardino (17,066)
2. University of Redlands (4,188)
3. Loma Linda University (4,022)

Community Colleges (Fall 2007)

1. Chaffey College (18,736)
2. San Bernardino Valley College (12,839)
3. Victor Valley Community College (10,149)
4. Crafton Hills College (5,382)
5. Barstow College (2,906)
6. Copper Mountain College (1,673)

Source: U.S. Department of Education, National Center for Education Statistics.

AIRPORTS:

1. Apple Valley Airport
2. Baker Airport
3. Cable Airport
4. Chino Airport
5. Daggett Airport
6. Hesperia Airport
7. Needles Airport
8. Ontario International Airport
9. San Bernardino Airport
10. Southern California Logistics Airport
11. Twentynine Palms Airport

TOURIST ATTRACTIONS:

1. Big Bear Lake Resort
2. Calico Ghost Town*
3. California Speedway
4. Colorado River
5. Glen Helen Pavilion*
6. Joshua Tree National Park
7. Lake Arrowhead Resort
8. Route 66

*County-owned

TOP 5 HOSPITALS:

(Ranked by # of beds)

1. Loma Linda University Medical Center, Loma Linda (749 beds)
2. Kaiser Foundation Hospital, Fontana (459 beds)*
3. Arrowhead Regional Medical Center, Colton (353 beds)
4. Community Hospital of San Bernardino, San Bernardino (292 beds)
5. San Antonio Community Hospital, Upland (279 beds)

Source: Hospital Directory, 2008 U.S. News and World Report, L.P., provided by the American Hospital Association.

*Number of beds derived from prior year data.

GENDER (2006 estimate):

	Percent
Male	50.1%
Female	49.9%

Source: U.S. Census Bureau, 2006 American Community Survey

RACE/ETHNICITY (2008 Projection):

Hispanic	45.4%
White	36.8%
Black	9.7%
Asian	5.3%
American Indian	0.6%
Pacific Islander	0.3%
Multi-Race	2.0%

Source: State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2050. Sacramento, CA, July 2007.

Total does not equal 100% due to rounding.

MEDIAN AGE (2006 estimate): 30.3

Source: U.S. Census Bureau, 2006 American Community Survey

BIRTH RATE (2006 estimate): 1,739 (per 100,000 population)

Source: State of California, Department of Finance, Demographic Research Unit, "Historical and Projected Birth by County, 1990–2016", September 2007 and "E-1 City/County Population Estimates", May 2007.

DEATH RATE (2005 estimate): 630.5 (per 100,000 population)

Source: Center for Health Statistics and State of California, Department of Finance, "E-1 City/County Population Estimates", May 2006.

POVERTY LEVEL (2007 estimate): 11.8%

Source: U.S. Census Bureau, 2007 American Community Survey

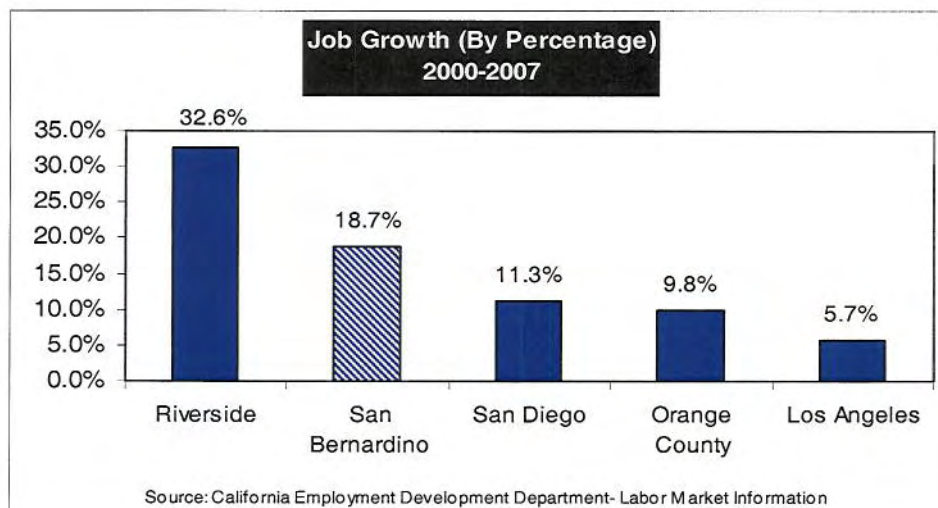
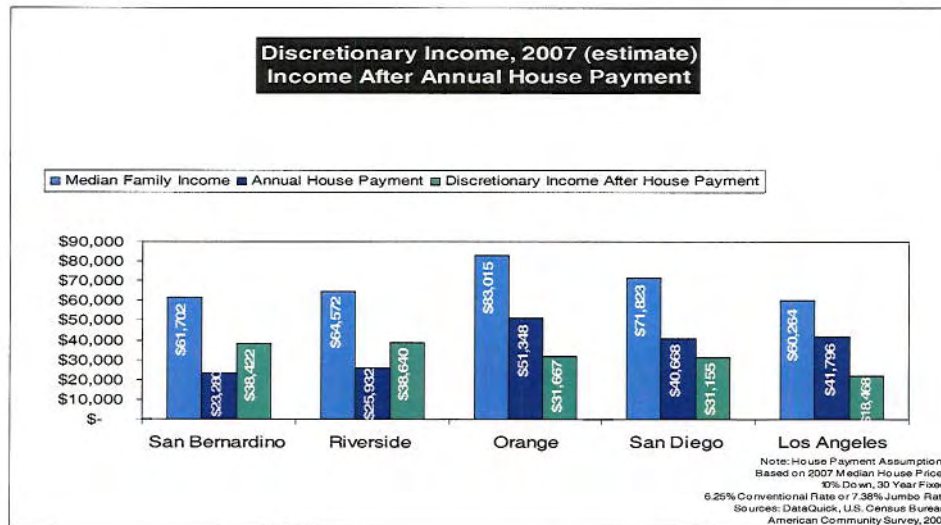
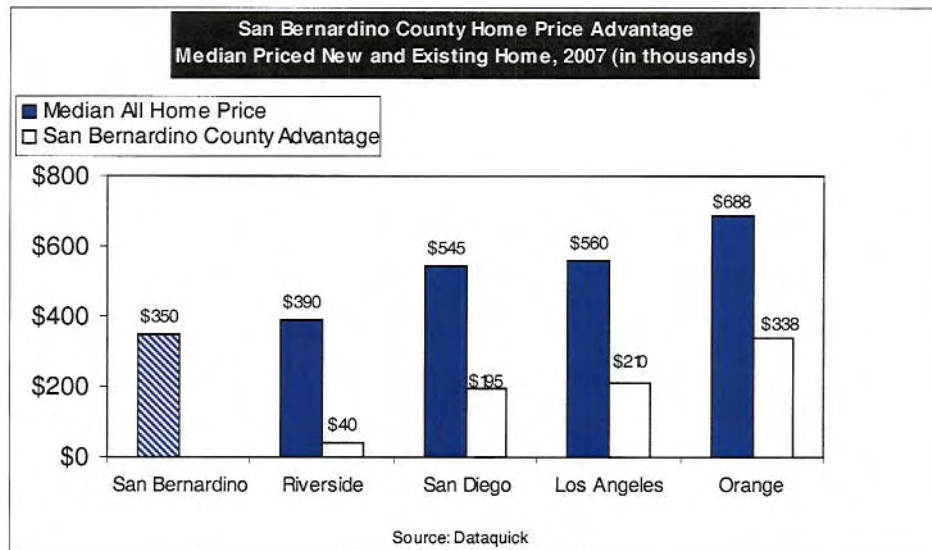
EDUCATIONAL ATTAINMENT (2006 estimate of county population age 25 years and over):

	Percent
Less than 9th grade	10.7%
9th to 12th grade, no diploma	12.7%
High school graduate (includes equivalency)	28.7%
Some college, no degree	22.5%
Associate's degree	8.1%
Bachelor's degree	11.7%
Graduate or professional degree	5.6%

Source: U.S. Census Bureau, 2006 American Community Survey



THE COUNTY OF SAN BERNARDINO COMPARISON TO OTHER COUNTIES



COUNTY OF SAN BERNARDINO

The County of San Bernardino's 2008-09 Final Budget covers the period from July 1, 2008 – June 30, 2009. The budget consisting of the general fund, restricted financing funds, capital project funds, special revenue funds, and enterprise funds has a total appropriation of \$3.6 billion. Each department is responsible for operating within their budget and has the authority to spend up to the approved budget.

When developing their individual budgets, each department considers the following mission, vision, and value statements of the County of San Bernardino:

Mission Statement

The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the **health, safety, well-being,** and **quality of life** of its residents according to the County Charter, general laws, and the will of the people it serves.

Vision Statement

Our vision is to create a safe, clean, and healthy environment that appeals to families and individuals, and attracts the best in business and industry. We will create, support, and enhance vibrant communities that emphasize beauty, culture, art, recreation, education, and a sense of history.

VALUES Statement

To achieve our Vision, we dedicate ourselves to these values:

- **Valuing** our workforce by providing recognition, training and education, opportunities for customer service and career development, a safe and healthy work environment and fair compensation.
- **Appreciation** and promotion of the diverse cultures that comprise our workforce and the communities we serve.
- **Leadership** by coordinating regional planning through collaboration with local communities and businesses.
- **Unquestioned integrity** that embraces a culture of honor and trustworthiness.
- **Excellence** in the development of efficient and cost-effective strategies to improve customer service in an atmosphere that allows and encourages new ideas.
- **Service** of the highest quality to our customers delivered with dignity and respect.

The County of San Bernardino's annual budget process starts with the development of the Annual Report and Business Plan document. The Annual Report and Business Plan document is the instrument used by the County to tie departmental budgets to departmental goals, objectives, and performance measures. This final budget book is the product of the annual budget process. While this final budget book includes departmental strategic goals and performance measures, which demonstrate how department's meet their overall departmental mission as well as the global mission of the County, it does not list the departmental objectives contained in the Annual Report and Business Plan document. Therefore, the following two pages provide a high-level overview of County departments. For those departments offering primary services, a single goal and objective has been listed that best highlights the County's global mission statement.



COUNTYWIDE SERVICES

The services provided by the county are arranged into categories in accordance with the County Mission Statement. Therefore, the public services provided are categorized by health, safety, well-being, and quality of life services. In addition, the county's fiscal services provide public support. The categories of leadership and support services are essential to the administration of county government.

PUBLIC SERVICES

Health Services

- Arrowhead Regional Medical Center
- Behavioral Health
- Public Health

Safety Services

- County Fire
- District Attorney
- Law and Justice Group Administration
- Probation
- Public Defender
- Sheriff

Well-Being Services

- Aging and Adult Services/Public Guardian
- Agriculture/Weights and Measures
- Child Support Services
- Human Services Administration
 - Transitional Assistance
 - Children's Services
- Land Use Services
- Public Works
- Registrar of Voters
- Special Districts
- Veterans Affairs

Quality of Life Services

- Airports
- Community Development and Housing
- Economic Development
- County Library
- County Museum
- Preschool Services
- Redevelopment Agency
- Regional Parks
- Workforce Development

Fiscal Services

- Assessor
- Auditor/Controller-Recorder
- Treasurer-Tax Collector/Public Administrator

ADMINISTRATIVE SERVICE

Leadership

- Board of Supervisors
- County Administrative Office

Support Services

- Architecture and Engineering
- Capital Improvement Program
- Clerk of the Board
- County Counsel
- Facilities Management
- Fleet Management
- Human Resources
- Information Services
- Purchasing
- Real Estate Services
- Risk Management



SAN BERNARDINO COUNTY GOALS AND OBJECTIVES		
SERVICES	GOALS	OBJECTIVES
HEALTH:		
Arrowhead Regional Medical Center	Increase outpatient clinic visits.	Continue implementation of outpatient visit redesign program in primary and specialty clinics.
Behavioral Health	Increase access to behavioral health services for individuals that are underserved or who are receiving a limited level of services.	Continue to increase the development of community-based behavioral health care and treatment programs that serve as options to institutionalization or hospitalization.
Public Health	Prevent disease and disability, and promote healthy lifestyles.	Improve the health of children by increasing the percentage of children who are up-to-date on required childhood vaccinations.
SAFETY:		
County Fire	Enhance service delivery in response to projected county population growth within areas served by the County Fire Department.	Identify and measure deficiencies in the current delivery system; and further identify facility, staffing, infrastructure, and financing needs to meet current and projected service delivery standards and goals.
District Attorney	Promote public safety by punishing criminal conduct.	Continue to promptly, effectively, and ethically prosecute criminal offenses.
Law and Justice Group Administration	Reduce the negative effects of gang-related crimes on the citizens of the county.	Implement the Strategic Plan on Gangs to reduce gang activity.
Probation	Provide proven treatment options for probationers according to their risk level and criminogenic factors.	Increase the number of offenders in evidence based treatment programs.
Public Defender	Reduce backlog of old cases.	Increase early resolution of cases, thus minimizing custody time (and its attendant costs to the client and to the county).
Sheriff/Coroner	Enhance response capabilities to disasters and other emergencies.	Effectively communicate with multiple agencies during critical incidents.
WELL-BEING:		
Aging & Adult Services/Public Guardian	Ensure the safety of at-risk adults and the elderly to improve or maintain quality of life.	Respond to emergency Adult Protective Services (APS) referrals within state mandated timelines.
Agriculture/Weights and Measures	Continue to protect the public's health, agriculture and environment by preventing proscribed foreign pest infestations and the misuse of pesticides, in light of increases in county population.	Inspect all common land and airfreight carriers receiving shipments of plant material for compliance with quarantines and freedom from foreign pests that arrive in the county.
Child Support Services	Improve organizational performance.	Improve performance by implementing new processes and modifying existing processes.
Human Services Administration: <i>Transitional Assistance</i>	Increase public awareness of the Food Stamp Program.	Increase the total number of households participating in the Food Stamp Program, through increased outreach efforts.
<i>Children's Services</i>	Reduce number of children who enter foster care each year.	Continue implementation of the Family-to-Family Program and other practices that reduce the number of children who must enter foster care.
Land Use Services	Increase the number of initial inspections performed from the date of receiving a complaint.	Perform initial inspections within three weeks of receiving the complaint.
Public Works	Transportation - Maintain the level of safety and maintenance for county maintained roads.	Maintain the average Pavement Condition Index (PCI) for county maintained roads at a "good" or higher PCI category.
Registrar of Voters	Increase voter participation in the electoral process.	Continue to stabilize off-site early voting at various locations, including City Clerk's offices throughout the county.
Special Districts	Increase customer service levels to district customers.	Decrease response time to utility service requests.
Veterans Affairs	Emphasize higher standards of customer service.	Continue customer service surveys and post-interview telephone surveys on a regular basis.
QUALITY OF LIFE:		
Airports	Improve coordination and management of Airports Capital Improvement Program.	Reduce the average length of time required to complete capital improvement program projects.
Community Development and Housing	Communicate useful and timely information to other agencies and to the general public to inform them about grant and loan resources available to meet community and housing needs.	Advertise the annual Community Development Block Grant (CDBG), HOME, and Emergency Shelter Grant Programs, and request CDBG applications.
Economic Development	To foster job creation, increase private investment, and enhance county revenues through the attraction, expansion, and retention of business.	Raise awareness of the competitiveness of San Bernardino County to increase inquiries and generate leads for new business attraction and investment.
County Library	Enhance computer and electronic resources for the public.	Increase the purchase of electronic resources.
County Museum	Enhance public awareness of Museum services/programs and increase accessibility to Museum collections.	Identify more objects and artifacts to be exhibited for Museum visitors.
Preschool Services	Achieve school readiness of children enrolled to ensure they are making progress toward positive outcomes.	Teachers will share child assessment information with parents and this input will be used to prepare home and classroom activities responsive to children's individual needs.
Redevelopment Agency	Assist in the development of capital improvements to eliminate and prevent the acceleration of physical blight and encourage the better utilization of real property and new private enterprise investment.	Assist in the development of public facilities and utilities, such as the construction or rehabilitation of fire and sheriff stations, community centers, school facilities, parks, multi-use trails, and utility improvements.
Regional Parks	Increase public awareness of new enhancements and amenities throughout the County Regional Park System and provide excellent customer service to ensure return visitors.	Increase attendance at the regional parks through enhanced marketing efforts.
Workforce Development	Meet or exceed all Workforce Investment Act (WIA) enrollment and performance standards negotiated with the state for customers in Adult, Dislocated Worker and Youth Services.	Enroll 450 youth in Youth services.



FINANCIAL PLANNING CALENDAR

Ongoing

The Board of Supervisors provides ongoing policy direction to the County Administrative Officer.

Departments provide monthly budget to actual estimates to the County Administrative Office.

October through December

Annual Report and Business Plans – Department-wide Annual Report and Business Plans are developed and serve as a guideline to lead the County in preparing the upcoming budget. The Annual Report and Business Plan is a comprehensive and systematic management tool designed to help each department assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the department's mission, and achieve consensus on goals and objectives for achieving that mission. The Annual Report and Business Plan supports the annual budget plan by illustrating how a department's budget and available resources can be tied to goals and objectives, and is used to track, monitor, and evaluate departmental progress by establishing timelines and milestones, and comparing projections to actual accomplishments.

Capital Improvement Plan – Departments submit annual capital improvement requests for improvements to land or structures that exceed \$5,000. These requests include a project description and justification, financial impact, and funding source. The requests are evaluated and prioritized by the County Administrative Office and presented to the Board of Supervisors for comments and recommendations. In addition, departmental five-year capital improvement plans are updated to re-evaluate priorities based on changing circumstances, staffing levels, and available funding.

Fee and Internal Service Rate Development – Departments develop their proposed fee changes and internal service rate adjustments for the upcoming budget year and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors.

January and February

Five-year Financial Plan – The County Administrative Office develops a five-year forecast of financial operations for general fund programs, projecting major revenues and expenditures, based on current service levels and expected future changes to those programs or service levels. The analysis includes the identification of trends, significant impacts, and recommendations, which are reported to the Board of Supervisors.

Business Plan Workshop – Department Heads, County Administrative Office staff, and the Board of Supervisors meet to discuss and review the Business Plans. These plans include departmental requests for additional general fund financing for which the Board of Supervisors provides input and direction to staff.

Budget Prep System – The in-house budget system is updated for changes in the various Memorandums of Understanding between the County and the various employee representation units and the system is opened up for departmental input into preparation of the budget submittal.



March and April

Budget Prep System – Internal training is conducted for all users of the system.

Internal Service Rates – The rates charged by departments for services provided to other departments are brought before the Board of Supervisors for approval. In addition to rates for internal service funds, rates for services provided by general fund departments, such as Facilities Management, Human Resources, and Architecture and Engineering are also approved.

Fee Hearing – The Board of Supervisors conducts a public hearing on the Proposed Fee changes. Approved fee changes are included in the Proposed Budget submittals to the Board of Supervisors.

Financial Plan – The upcoming budget year financing plan is developed based on revenue projections and estimates for cost increases of ongoing costs. This plan includes the allocation of general fund financing (local cost) and provides estimates from remaining funding available to meet unmet needs of the County.

Preparation of Proposed Budget – Departments develop their respective proposed budgets and submit them to the County Administrative Office for review and recommendation to the Board of Supervisors. General fund departments must budget within their respective local cost allocations given to them based on the financing plan.

May and June

Submission of Proposed Budget – The Proposed Budget Book is finalized and presented to the Board of Supervisors. The County Administrative Office publishes notices and schedules public hearings to discuss the proposed budget.

Budget Hearing – The Board of Supervisors conducts a public hearing on the Proposed Budget. At this time, the Board may modify the Proposed Budget.

Adoption of Final Budget – All Board approved changes are incorporated into the Final Budget.

July through September

Budget Prep System – The County Administrative Office makes final budget changes to the Budget Prep System for items approved by the Board of Supervisors, including final fund balance adjustments.

Preparation of Final Budget Book – The County Administrative Office updates the Proposed Budget Book for final changes.



Calendar for the 2008-09 Budget

October 12, 2007	Business Plan Instructions to Departments
October 17, 2007	Capital Improvement Call Letter to Departments
November 9, 2007	Departments Submit Business Plans to Budget Office
November 27, 2007	Departments Submit Capital Improvement Requests to Budget Office
December 11, 2007	Fee Instructions to Departments
January 3, 2008	Departments Submit Fee Workbooks to the Budget Office
January 30, 31 and February 4, 12, 2008	2008-09 Business Plan Workshop
February 21, 2008	Budget Instructions to Departments
February 21, 2008	Budget Preparation System opened for Departmental Input
March 10, 2008	Budget Preparation System Training
March 11, 2008	2008-09 Internal Service Rates Approved
March 18, 2008	Fee Hearing
March 18, 2008	Board of Supervisors Approval of Targets/Financial Plan and Strategic Objectives
March 25, 2008	Departments Submit Budget Workbooks to the Budget Office
May 16, 2008	Proposed Budget Delivered to the Board of Supervisors
June 17, 2008	Budget Hearing
June 24, 2008	Adoption of 2008-09 Final Budget
September 2008	Final Budget Book Printed



Annual Report and Business Plan

This year, the Board of Supervisors received the County's first Annual Report and Business Plan, distributed in January 2008. The Annual Report provides an overview of the County, including countywide facts and figures, quick facts by department, and a review of the county's highlights for the prior calendar year. Significant events, the County's outstanding employees, and national awards are accentuated. The Business Plan document is the starting point for San Bernardino County's budget process and it is intended to support the annual budget plan by tying the budget to the department's goals, objectives, and performance measures necessary to meet the overall mission of the department. The Annual Report and Business Plan is used to help track, monitor, and evaluate the progress by establishing timelines and milestones, where each department can monitor their progress and compare their projections to actual accomplishments.

Business Plan Workshops were held January 30, 31 and February 4, 12, 2008. These workshops provided the Board of Supervisors the opportunity to review departmental goals and objectives. Additionally, this was the first occasion for departments to explain how they utilize their allocated resources in terms of meeting projected goals and objectives and what additional resources would be needed for new projects not yet funded. At this time, departments also presented fee adjustments and/or requests for additional general fund financing, which included funding requests for those workload and program changes that are not financed within their existing general fund allocations.

General Fund Budget Process

The County Administrative Office has the responsibility of developing the county financing plan for all general fund departments. This plan begins with reviewing the two restricted financing sources, Proposition 172 and Realignment. Proposition 172 assists in financing the Sheriff, District Attorney, and Probation departments. Realignment assists in financing the general fund departments of Human Services, Behavioral Health, and Public Health for mental health, social services, and health programs. If these financing sources are not sufficient to pay for those departments' costs, then general fund discretionary sources are considered.

The 2008-09 financing plan presented to the Board of Supervisors on March 18, 2008, included a total of \$56.3 million in additional discretionary revenue available for financing in 2008-09. This revenue is comprised of property taxes, interest on the county investment pool, sales tax, and other taxes. The financing plan initially allocates increases in these discretionary revenues to fund increases in mandatory costs such as previously negotiated salary increases, previous year's Board approved costs, and other mandated costs. The increased costs to maintain current services totaled \$23.9 million. After the mandatory costs are financed, the remaining unallocated discretionary revenue of \$32.4 million is presented to the Board of Supervisors for allocation along with a listing of outstanding financing issues such as salary and benefit negotiations outstanding, county needs, and impacts from state and federal budgets.

Also on March 18, 2008, the Board of Supervisors held a Fee Hearing. The Fee Hearing is designed to take public testimony related to fee changes for the 2008-09 fiscal year. The fee hearing and approval of the fees was completed at this time to allow the approved fee changes to be incorporated into the proposed budgets. In addition, the approved fees will become effective with the start of the fiscal year.

The 2008-09 Proposed Budget Hearing was held on June 17, 2008. At that time, the County Administrative Office made recommended changes to financing and reserves. Additionally, the department's requests for additional general fund financing were also considered. At the 2008-09 Proposed Hearing, the Board of Supervisors directed the removal of new positions and reclassifications of existing positions from the budget.

The 2008-09 Final Budget was formally adopted on June 24, 2008, which included several approved departmental requests for additional general fund financing for policy items, business process improvements, and capital improvement projects. Furthermore, reductions to general fund appropriation and associated funding were made based on the direction from the Board of Supervisors regarding new positions and reclassifications of existing positions. When the budget was adopted, the Board of Supervisors also directed that any final fund balance adjustment in the general fund be made to the appropriation for contingencies. No money can be spent from contingencies without obtaining Board of Supervisors approval.



Other Funds Budget Process

In addition to the general fund, the County of San Bernardino has restricted financing funds, capital project funds, special revenue funds, enterprise funds, and internal service funds. All of these funds are restricted to the revenue sources they receive. Each department having these types of funds is responsible for developing its budget based on the revenue resources available to them. These resources include projected revenue to be collected in 2008-09 and any revenue not spent and carried forward from prior years (for example, fund balance for special revenue funds). These budgets were also discussed during the Budget Hearing. In addition, when the Board of Supervisors approved the final budget, they also approved the necessary fund balance adjustments to these funds to agree to the Auditor/Controller-Recorder's actual fund balance.

Amending the Final Budget

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level within budget units for the County. Any increases in appropriation in a budget unit after adoption of the final budget require an item to be placed on the agenda of the Board of Supervisors and a four-fifths vote is necessary for approval.

Transfers of appropriation within the same budget unit may be approved by the County Administrative Office or the Board of Supervisors depending upon the appropriation unit. Exceptions are noted below:

Transfer of Salaries and Benefits Appropriation:

- Transfers out funded with local financing are not allowed.
- Transfers out not funded with local financing requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in from other available appropriation within the budget unit will be required if budgeted salaries and benefits appropriation is inadequate to meet expenditures.

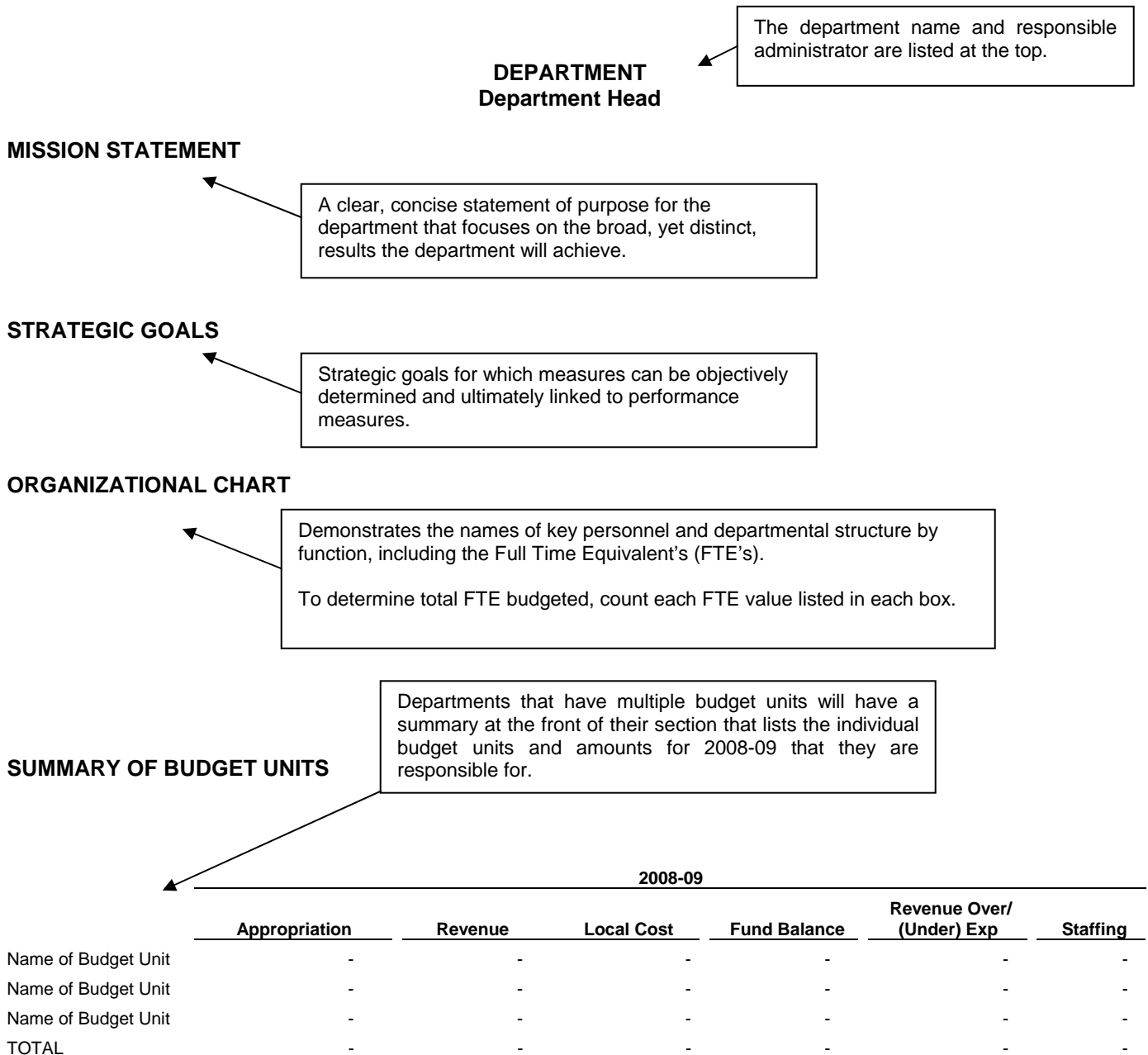
Transfer of Fixed Asset Appropriation:

- Transfers out requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in, less than \$10,000, may be approved by the County Administrative Office.
- Transfers in, greater than \$10,000, requires an item to be placed on the agenda of the Board of Supervisors for approval.



BUDGET BOOK FORMAT

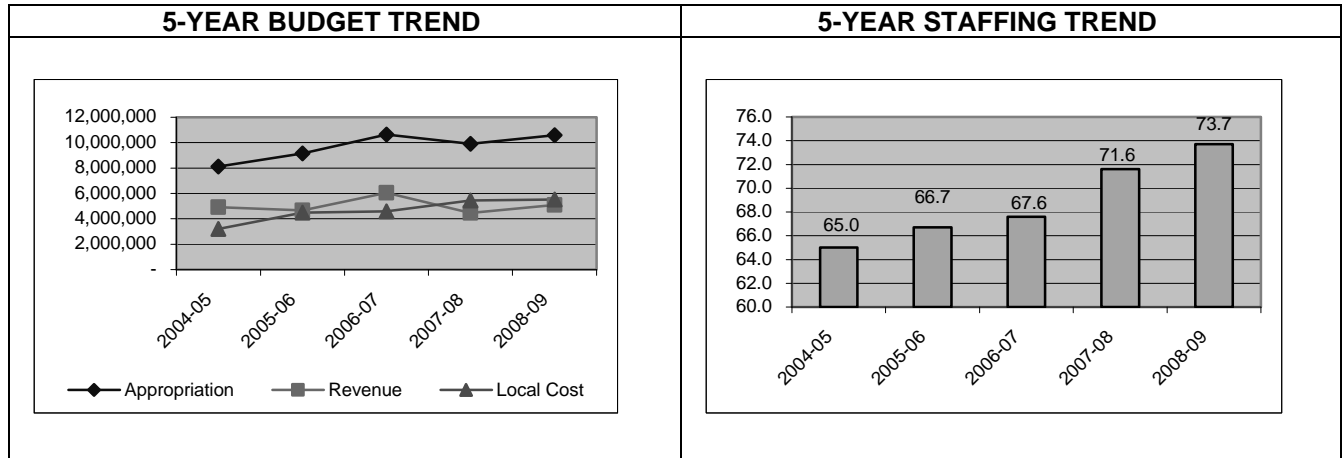
Budget units presented in this book are displayed at a fund/department level. Although some departments incorporate additional organizational levels when developing their budgets, the fund/department level of presentation was selected to provide consistency between all budget units. A sample of the departmental budget format is included in this attachment.



DESCRIPTION OF MAJOR SERVICES

Description of Major Services provides a narrative describing the function and activity of the budget unit.

BUDGET HISTORY



These graphs display a visual picture of the department's trends for the current year and prior four years in budgeted local cost or fund balance or revenue over/(under), where applicable, and budgeted staffing.

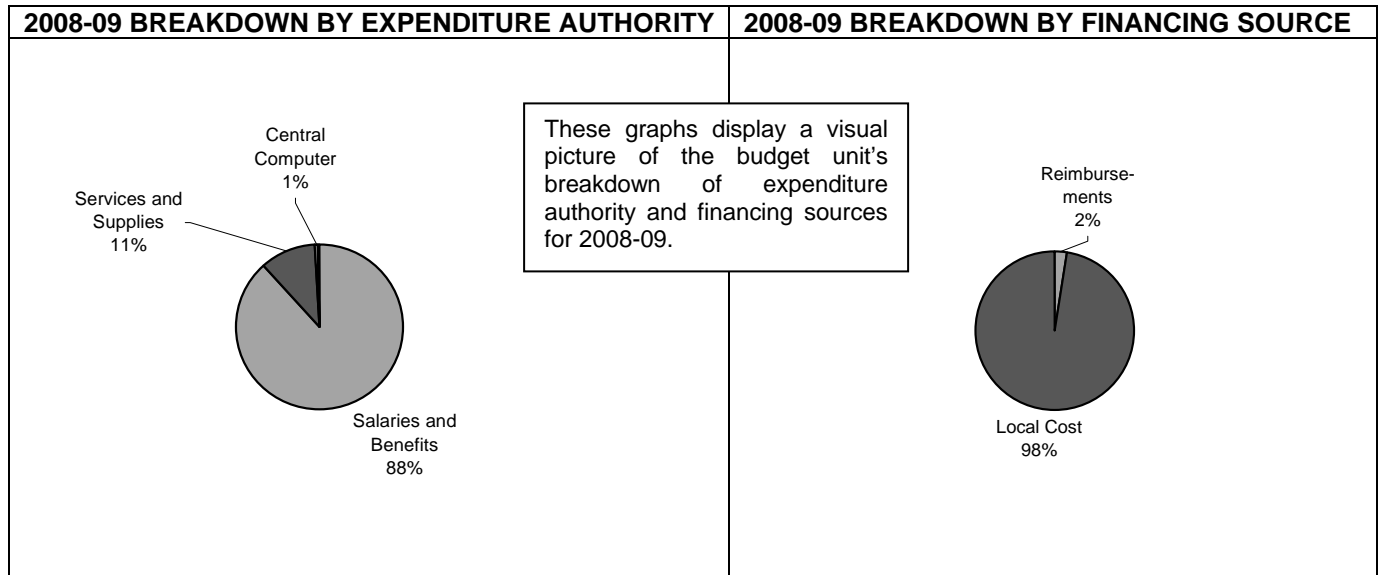
Performance History provides a historical overview of the budget unit, including actual amounts from 2004-05, 2005-06 and 2006-07, the 2007-08 modified budget and an actual amount for 2007-08.

PERFORMANCE HISTORY

	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Modified Budget	2007-08 Actual
Appropriation	-	-	-	-	-
Departmental Revenue	-	-	-	-	-
Local Cost	-	-	-	-	-
Budgeted Staffing				-	

For those departments that have significant variances between modified budget and actual in 2007-08, there will be an explanation of why this occurred.



ANALYSIS OF FINAL BUDGET

The header shows which budget unit you are looking at and lists the Function and Activity per state guidelines.

GROUP: Administrative/Executive
DEPARTMENT: -
FUND: -

BUDGET UNIT: -
FUNCTION: -
ACTIVITY: -

	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2007-08 Final Budget	2008-09 Final Budget	Change From 2007-08 Final Budget
<u>Appropriation</u>							
Salaries and Benefits	-	-	-	-	-	-	-
Services and Supplies	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Contingencies	-	-	-	-	-	-	-
Total Exp Authority	-	-	-	-	-	-	-
Reimbursements	-	-	-	-	-	-	-
Total Appropriation	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-
Total Requirements	-	-	-	-	-	-	-
<u>Departmental Revenue</u>							
Taxes	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	-	-
Other Financing Sources	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-
Total Financing Sources	-	-	-	-	-	-	-

Local Cost
 Budgeted Staffing

This section provides a history of actual expenditures incurred by budget line item and the comparison of budget line item from prior year adopted to the current year adopted.

The narrative section that follows the analysis schedule briefly explains the 2008-09 final budget by appropriation unit or line item, including significant changes from the prior year budget.



PERFORMANCE MEASURES				
Description of Performance Measure	2006-07 Actual	2007-08 Projected	2007-08 Actual	2008-09 Projected
Insert Performance Measurement				
Insert Performance Measurement				
Insert Performance Measurement				
Insert Performance Measurement				
Insert Performance Measurement				
Insert Performance Measurement				
Insert Performance Measurement				
Insert Performance Measurement				
Insert Performance Measurement				
Insert Performance Measurement				

This schedule describes the department's performance goals for the 2008-09 budget year.

Performance measures are placed with the budget unit to which they specifically apply. This section may not appear when performance measures are not applicable and/or overall department measures appear elsewhere



APPROPRIATION SUMMARY

The 2008-09 final budget includes appropriation of \$3,568,891,043, an increase of \$95,234,917 or 2.74% over the 2007-08 restated final budget. The restated actual 2006-07 and final 2007-08 are due to the formation of the Health Care grouping that was previously listed in the Administrative/Executive Group. The schedule below lists appropriation, however, it does not include operating transfers, which is a mechanism for providing financing from one fund to another within the county.

	Restated Actual 2006-07	Restated Final 2007-08	Final 2008-09	Change Between 2007-08 & 2008-09	Percentage Change
Countywide Operations					
Admin/Executive Group	49,807,512	58,019,536	59,303,772	1,284,236	2.21%
Contingencies / Board Elective Projects	1,443,023	73,911,684	112,033,083	38,121,399	51.58%
Financial Administration	1,932,666	7,500,000	7,500,000	-	0.00%
Debt Service	20,147,355	21,437,356	21,812,356	375,000	1.75%
Economic Development Agency	7,084,530	7,866,652	7,318,898	(547,754)	(6.96%)
Fiscal Group	49,416,810	59,207,584	59,075,657	(131,927)	(0.22%)
Health Care	272,076,497	434,884,817	364,166,013	(70,718,804)	(16.26%)
Human Services	793,480,508	846,501,177	904,830,386	58,329,209	6.89%
Law and Justice Group	622,061,434	656,387,509	679,956,727	23,569,218	3.59%
Public and Support Services Group	90,036,716	103,580,691	102,337,115	(1,243,576)	(1.20%)
Total General Fund	1,907,487,051	2,269,297,006	2,318,334,007	49,037,001	2.16%
Restricted Financing Funds	-	59,080,371	62,127,620	3,047,249	5.16%
Capital Project Funds	70,152,205	137,057,617	133,946,159	(3,111,458)	(2.27%)
Special Revenue Funds	230,843,660	443,621,847	471,532,686	27,910,839	6.29%
Subtotal	2,208,482,916	2,909,056,841	2,985,940,472	76,883,631	2.64%
Enterprise Funds					
Arrowhead Regional Medical Ctr (ARMC)	348,119,398	361,320,328	372,646,384	11,326,056	3.13%
Medical Center Lease Payment	52,143,704	53,419,848	57,492,452	4,072,604	7.62%
ARMC Capital Projects	2,810	28,217,315	26,405,850	(1,811,465)	(6.42%)
County Museum Store	70,652	92,207	73,546	(18,661)	(20.24%)
Regional Parks Snackbars	74,035	77,609	93,392	15,783	20.34%
Regional Parks Environmental Science Day Camp	269,647	253,860	89,012	(164,848)	(64.94%)
Solid Waste Management	89,288,349	121,218,118	126,149,935	4,931,817	4.07%
Subtotal	489,968,595	564,599,285	582,950,571	18,351,286	3.25%
Total Countywide Funds	2,698,451,511	3,473,656,126	3,568,891,043	95,234,917	2.74%

Countywide Operations

Countywide operations show an increase in appropriation of \$49,037,001. Significant increases are in Human Services, Contingencies/Board Elective Projects and the Law and Justice Group. The most significant decrease is seen in Health Care. Each group and the significant changes within the group are discussed below.

The **Administrative/Executive Group** shows a net increase of \$1.3 million. This group previously included the budget units that comprised Health Care, which is now listed as a separate line item and discussed later in this budget summary. Slight increases are seen in many of the budget units within the Administrative/Executive Group with the largest increases seen in County Counsel (\$0.7 million) as a result of improvements made to the new case management/accounting system and Human Resources – Employee Health and Wellness (\$0.3 million) due to the opening of the High Desert Center. Decreases include \$0.2 million in Human Resources due to the removal of one-time funding that were carried over from 2006-07.



Contingencies / Board Elective Projects are increased a total of \$38.1 million. Contingencies increased by a net \$39.1 million and Board Elective Projects decreased by a net \$1.0 million. A new contingency in the amount of \$4.0 million was established for the construction of a new Central Juvenile Hall. Additionally, general fund contingencies increased by \$34.7 million primarily due to fund balance carryover. Board Elective Projects are funded in two budget units. One budget unit, Board Elective Funding, represents a one-time allocation provided to the Board of Supervisors to fund projects that are not identified in the budget process. The 2009-08 allocation was \$5.0 million, which is a reduction of \$5.0 million from the prior year. This budget unit also had a carryover of unspent funds from the prior year of \$5.5 million bringing the total available for distribution to \$10.5 million. Priority Policy Needs is the budget unit that represents the ongoing, annual allocation of \$2.5 million. This allocation is coupled with prior year unspent funds bringing the total available to \$4.4 million. The balance in Priority Policy Needs is reduced from last year's final budget as a result of several projects identified for funding throughout 2007-08.

The **Economic Development Agency** shows a net \$0.5 million decrease resulting primarily from the elimination of prior year one-time funding related to the 4th District Special Economic Development Project, the 1st District Community Projects and the High Desert Business/Employment Resource Center. This reduction was offset by a redirection of a 2005-06 Allocation to Economic Development from the Department of Public Works by the 4th District.

Overall the **Fiscal Group** experienced a slight decrease in appropriation in the general fund. The Auditor/Controller-Recorder decreased by \$0.3 million and the Treasurer-Tax Collector decreased by \$0.8 million. The Assessor's general fund budget unit increased by \$0.9 million mainly as the result of the consolidation of the Assessor's State-County Property Tax Administration Program budget unit into the Assessor's general fund budget unit.

Health Care represents the departments of Public Health, Behavioral Health and Health Care Administration. The Health Care Administration budget unit decreased by \$90.9 million primarily as a result of lower anticipated payments made to the state under SB1100. Additionally, Public Health decreased \$5.2 million for reductions made to budgeted staffing and the loss of the Outreach, Enrollment, Retention Utilization (OERU) grant. Offsetting these decreases is an increase of \$23.6 million in Behavioral Health due to funding full-year costs of positions added during the fiscal year coupled with increases professional services contracts related to the Mental Health Services Act.

The **Human Services** increased a net \$58.3 million. Significant increases are budgeted in four of the subsistence budget units: CalWORKs – All Other Families (\$36.3 million), CalWORKs – 2 Parent Families (\$9.2 million), Foster Care (\$9.4 million) and Aid to Adoptive Children (\$3.1 million). The CalWORKs heightened costs are due to dramatic increases in the number of cases resulting from the slowing economy. Foster Care increases are two-fold, anticipated increases in caseload and grant increases. Aid to Adoptive Children is anticipating growth due to the rise in successful placement of more children with special needs and the higher costs associated with their care. A net increase of \$1.7 million is also reflected in the Human Services Administrative Claim budget unit. The growth is primarily due to the elevation in the In-Home Supportive Services provider payments required by caseloads and increases in transportation and ancillary assistance provided to employment services clients. For the Department of Child Support Services, the increase of \$0.3 million is the result of increases in services and supplies costs related to the conversion to a new case management system.

These Human Services increases were offset by decreases of \$0.8 million in subsistence budget unit, Kinship Guardianship Assistance Program due to the slow expansion of this enhanced program and \$1.1 million in the Department of Aging and Adult Services resulting from the termination of the National Association for Hispanic Elderly (NAHE) contract which provided a senior job training program.

The **Law and Justice Group** increased by \$23.6 million. The most significant increases are in the following budget units: Sheriff-Coroner (\$13.6 million), District Attorney (\$7.5 million) and the Trial Court Funding – Maintenance of Effort (\$3.2 million). Much of the increase for Sheriff-Coroner and District Attorney is due to the financing of safety and safety management employee increases in salaries and benefits as negotiated in their agreements which continue into the 2008-09 fiscal year. Increases of \$3.2 million in the Trial Court Funding – Maintenance of Effort are the result of anticipated increases in the collection of fines.

The **Public and Support Services Group** shows a net decrease of \$1.2 million. The most significant decrease is in the Registrar of Voters budget unit which was reduced by \$3.3 million primarily due to a decrease in costs associated with conducting one major election instead of three elections that were included in the 2007-08 budget and by a reduction of one-time Help America Vote Act (HAVA) funding. Offsetting this significant decrease is a \$1.0 million increase to Land Use Services – Advanced Planning due to the approval of several policies items related to specific plans. Slight increases are also seen in the Utilities and Rents budget units.

Restricted Financing Funds

Restricted Financing Funds consist of two restricted financing sources – Prop 172 and Realignment. Prop 172 revenue assists in financing the Sheriff, District Attorney, and Probation departments. Realignment assists in financing mental health, social services and health programs within the County. All financing not anticipated to be utilized during the fiscal year are appropriated in contingencies in these restricted funds.

Of the total \$62.1 million for these restricted financing funds, the Realignment portion is \$44.9 million and the Prop 172 portion is \$17.2 million. Appropriation increased from the prior year by \$3.0 million, which consisted of a \$2.4 million increase in Realignment and a \$0.6 million increase in Prop 172. For more details regarding the usage of these restricted financing funds, refer to the General Fund Financing section of this budget book.

Capital Project Funds

Capital Project Funds appropriation decreased by a net \$3,111,458 from the prior year amount. Of the \$133.9 million total appropriation for all capital projects for 2008-09, \$18.9 million was budgeted for new projects and \$115.0 million was budgeted as carry-over projects. For more details regarding capital project funds, refer to the Capital Improvement Program section of this budget book.

Special Revenue Funds

Special Revenue Funds increased by \$27.9 million overall.

Significant increases in appropriation in special revenue funds include:

- \$27.5 million growth in contingencies in the Mental Health's Services Act (MHSA) budget unit due to lower than anticipated expenditures within the Behavioral Health general fund budget unit for the new component of MHSA, Capital and Technologies, for which no costs have been designated.
- \$7.4 million increase in Public Works – Transportation Road Operations budget unit. Major increases include the funding of key rehabilitation projects using Prop 1B funds and the purchase of new and replacement vehicles. Reductions in reimbursements resulting from the completion of several projects also impacts total appropriation.
- \$4.6 million increase in contingencies in the Master Settlement Agreement budget unit due to available fund balance.
- \$4.6 million net increase in Sheriff-Coroner special revenue funds, in which a \$4.4 million increase is budgeted in the two budget units that represent Federal and State Seized Assets.
- \$3.4 million increase in the Southwest Border Prosecution budget unit due to available fund balance.
- \$1.9 million net increase in Community Housing and Development of which the largest increases include \$1.2 million in general administration and \$1.5 million is in the IVDA Program. These increases are offset by minor reductions in other program budget units.
- \$1.4 million net increase in appropriation for Preschool Services, of which the majority is in the other charges appropriation unit for anticipated increases in transportation services' rates, food services, and delegate agency contracts.

Significant decreases in appropriation in special revenue funds include:

- \$5.7 million reduction in appropriation in the various District Attorney special revenue funds due to a change in budgeting. The expenditures in these special revenue funds were consolidated into the District Attorney's general fund budget unit with an offsetting operating transfer in to the general fund to finance these programs.
- \$5.5 million decline in Transportation – Regional Development Mitigation Plan budget unit due to decreased development activity and a reduction in the need for evaluation of new projects.
- \$5.3 million decrease in the Auditor/Controller-Recorder's Systems Development budget unit. This decrease is the result of reductions in computer software purchases and professional services, as well as the elimination of \$2.0 million in one-time funding to the California a-Recording Transaction Network Authority, a joint powers agreement. Furthermore, contingencies were reduced from the prior year as a result of program need coupled with reduced revenues.
- \$3.6 million decrease in departmental budgeted contingencies in the Behavioral Health's Block Grant Carryover Program budget unit due to a reduction in fund balance and departmental revenues. Furthermore, Behavioral Health is anticipating a \$1.2 million reduction in the Prop 36 budget unit, the Substance Abuse and Crime Prevention Act of 2000, resulting from a decrease in the allocation received from the State.
- \$2.6 million reduction in the Assessor's State/County Property Tax Administration Program budget unit as this special revenue fund was consolidated into the Assessor's general fund budget unit.
- \$1.3 million net decrease in appropriation in Workforce Development resulting from reductions in the Department of Labor's Workforce Investment Act allocations.

Enterprise Funds

Of the seven enterprise funds listed in the appropriation summary, Arrowhead Regional Medical Center (ARMC), Medical Center Lease Payment, and Solid Waste Management had the most significant changes.

Arrowhead Regional Medical Center (ARMC) increased appropriation by a total of \$11.3 million. The two significant areas increasing their budget include salaries and benefits costs and costs for fixed assets. Salaries and benefit costs increased by \$7.5 million. The components involved in this area include: MOU for nurses, retirement, and step advances for the 2,771.3 budgeted staffing positions. The other major area is fixed assets, which is increasing by \$4.4 million in order to fund new equipment purchases as well as purchases to replace existing aging equipment.

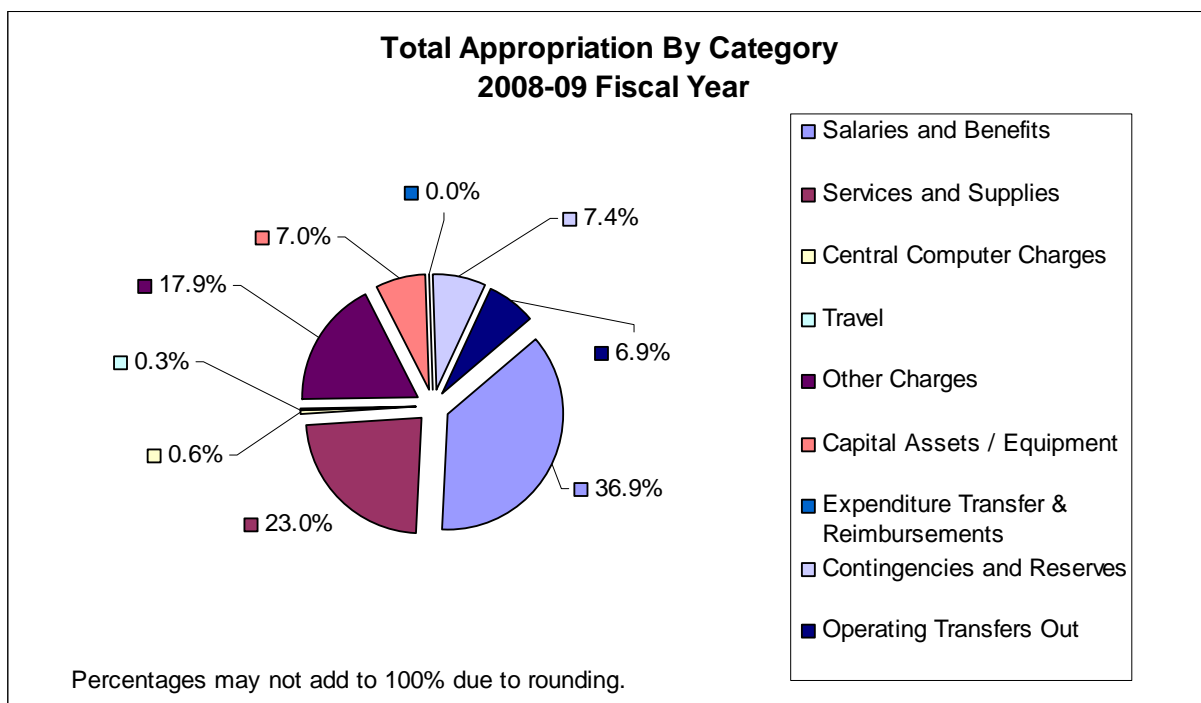
Medical Center Lease Payment appropriation is increasing by \$4.0 million. This increase is related to lease payments which include the final maturity of the 1997 Medical Center equipment bonds, associated fees, and increased contingencies due to the county's share of the interest rate swap savings realized in 2007-08.

Solid Waste Management increased appropriation by a total of \$4.9 million. This increase is the result of budgeting an additional \$6.9 million in Operations largely for debt service payments, the cost of potential legal settlements, and the balance of work related to the Fire Debris Management Program. However, these increases are partially offset by a net decrease of approximately \$2.0 million for capital projects.

The appropriation summary charts presented on the following pages include expenditures and other financing uses such as operating transfers for all appropriated funds. Operating transfers represent financing provided from one fund to another within the county. The figures presented on the appropriation summary by category chart are subtotaled prior to the operating transfers out line. The appropriation categories reflected in the subtotal are the same as presented on the first page of this county budget summary section. Additionally, there are charts to reflect appropriation summary by category, appropriation summary by group/agency and appropriation summary by fund type.

APPROPRIATION SUMMARY BY CATEGORY

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget
Appropriation			
Salaries and Benefits	1,325,064,404	1,414,348,650	1,413,210,588
Services and Supplies	839,099,986	848,640,760	882,973,902
Central Computer Charges	17,848,675	20,414,813	21,875,645
Travel	-	-	10,351,922
Other Charges	715,060,056	705,918,422	684,942,920
Capital Assets / Equipment	291,507,915	274,682,341	269,578,077
Expenditure Transfer & Reimbursements	(7,096,920)	198,123	529,283
Contingencies and Reserves	151,959,964	209,453,017	285,428,706
Operating Transfers Out	287,057,017	245,852,403	264,467,802
Total	3,620,501,097	3,719,508,529	3,833,358,845
Budgeted Staffing	17,601.2	18,234.4	18,224.0



Changes by appropriation category for all appropriated funds include:

- Salaries and Benefits are decreasing from the prior year by approximately \$1.1 million or -0.1%. Of this decrease, \$13.1 million is the result of the Board of Supervisors direction to remove new positions and associated costs and the costs of existing position reclassifications from the general fund. Offsetting this is an increase in costs as a result of negotiated labor agreements with nurses, safety, and safety management representation units only, and required retirement contributions. Arrowhead Regional Medical Center had the most significant change in staffing by adding 115.3 budgeted positions due to volume increases. Refer to the "Budgeted Staffing Summary" later in this section for further detail regarding staffing changes by department.
- Services and Supplies are increasing by approximately \$34.3 million or 4.0%. Significant increases include Behavioral Health, Road Operations, Sheriff-Coroner, and Purchasing. Significant decreases in Registrar of Voters, Public Health, Auditor/Controller-Recorder – Systems Development, and Economic Development.
- Central Computer charges are increasing by \$1.5 million or 7.2% primarily due to the plan to redesign the county's Wide Area Network (WAN) to improve bandwidth capacity and redundancy to meet increasing demand for service.
- Travel is a new appropriation unit in 2008-09 and these costs were previously budgeted in services and supplies. The total appropriation to cover travel and all associated costs is \$10.4 million.
- Other Charges are decreasing by \$21.0 million or -3.0%. This appropriation unit includes public assistance payments, contributions to other agencies, debt service payments, and interest expense. The most notable changes are a \$90.5 million decrease in Health Care Administration and a net increase of \$64.1 million in Human Services Administrative Claim and Subsistence Payments.
- Capital Assets/Equipment is decreasing by \$5.1 million or -1.9%. This appropriation category includes several subcategories: land acquisition, improvements to land, easements / rights of way, structures and improvements to structures, vehicles, equipment purchases and lease purchases, and capitalized software. Significant changes in subcategories involving improvements to land decreased by \$3.1 million in Solid Waste, improvements to structures decreased by \$4.5 million primarily in the Capital Improvement Projects budget units, equipment in Arrowhead Regional Medical Center increased by \$4.6 million, capitalized software decreased by \$2.0 million in Behavioral Health due to the completed implementation of an appointment scheduler, data mining, Geographical Informational System and touch screen technology software for the MHSa program.
- Expenditure Transfer & Reimbursements are increasing \$0.3 million or 167.1%. Transfers are the movement of resources from one fund to another for payment of services received and reimbursements are the amount received as a payment for the services provided on behalf of another governmental unit or department. Reimbursements are considered a financing source.
- Contingencies and Reserves are increasing by a total of \$76.0 million or 36.3%. Significant increases in contingencies include \$39.1 million in general fund contingencies, of which \$34.7 million is in contingencies for uncertainties and \$4.0 million set aside for the construction of a new Central Juvenile Hall; \$27.5 million in Behavioral Health's special revenue funds; \$2.4 million in Realignment; and \$4.6 million in Master Settlement Agreement special revenue fund. These increases are offset by reductions which include a \$4.9 million decrease in the various Transportation special revenue funds; a \$3.6 million decrease in Behavioral Health's Block Grant Carryover budget unit; and a \$1.3 million decrease in contingencies in the Auditor/Controller-Recorder's Systems Development special revenue fund.
- Operating Transfers Out is a method of providing financing from one fund to another for the implementation of a project or program, and is increasing by \$18.6 million or 7.6%. The most significant increases are \$19.6 million in the Courthouse capital project fund, \$7.2 million in the Mental Health Service Act budget unit, and \$3.9 million in Financial Administration; decreases include \$14.2 million in the two budget units that account for Trial Courts seismic retrofit/remodel project and \$4.6 million in Behavioral Health.

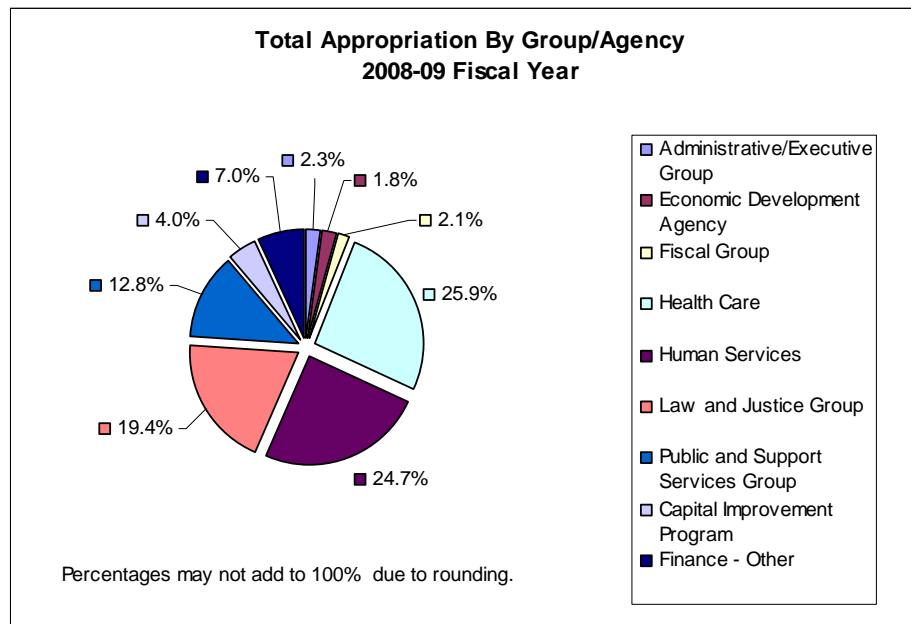


APPROPRIATION SUMMARY BY GROUP/AGENCY

	Restated Fiscal Year 2006-07 Adopted Budget	Restated Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget
Administrative/Executive Group	87,279,523	94,047,229	88,270,592
Economic Development Agency	72,158,589	71,494,292	70,245,717
Fiscal Group	81,705,339	84,929,021	78,633,335
Health Care	919,181,178	1,014,678,565	992,253,906
Human Services	878,654,528	886,107,661	945,824,265
Law and Justice Group	670,404,702	725,983,383	745,244,139
Public and Support Services Group	476,161,994	481,070,487	490,231,909
Capital Improvement Program	187,965,212	137,057,617	153,540,654
Finance - Other	246,990,032	224,140,274	269,114,328
Total	3,620,501,097	3,719,508,529	3,833,358,845
Budgeted Staffing	17,601.2	18,234.4	18,224.0

Restatement represents the separation of Health Care from Administrative/Executive Group.

The above chart lists appropriation by group / agency. The Finance – Other group includes budget units that are predominately countywide in nature, have no budgeted staffing associated with them, or exist for proper budgetary accounting purposes. Included in this group are contingencies, funding for Board elective projects, financial administration, the restricted funds of Realignment and Prop 172, and some special revenue funds that only appropriate operating transfers out.



Governmental Fund Types

General Fund: The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund. The General Fund is the County's primary operating fund. General Fund – Restricted Financing consists of Prop 172 and Realignment funds.

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects).

Capital Project Funds: Capital Project Funds account for financial resources designated for the acquisition or construction of major capital facilities other than those financed by Enterprise and Internal Service Funds.

Proprietary Fund Types

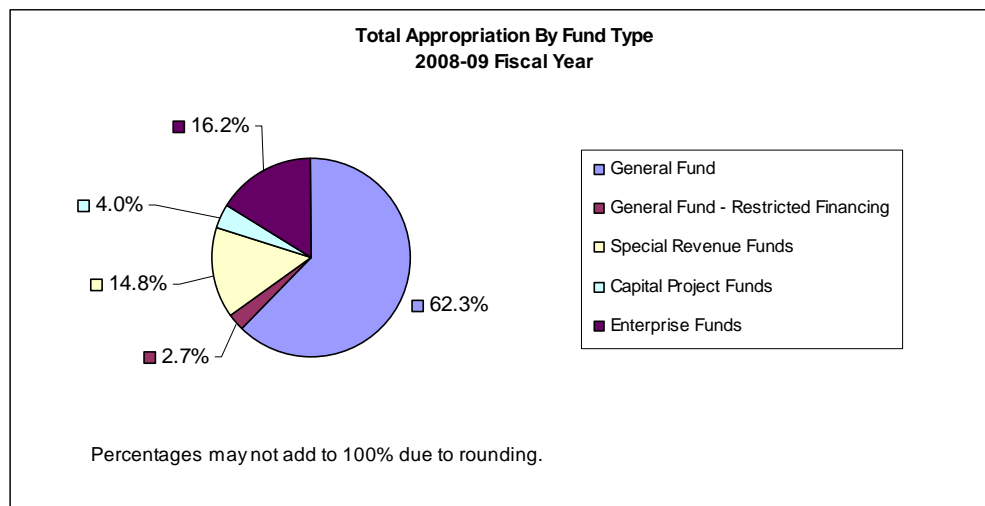
Enterprise Funds: Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds: Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

All funds, except Internal Service Funds, are appropriated. Internal Service Funds have budgets for management purposes only.

APPROPRIATION SUMMARY BY FUND TYPE

	Fiscal Year 2006-07 Adopted Budget	Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget
General Fund	2,277,651,703	2,344,839,832	2,388,845,335
General Fund - Restricted Financing	90,401,211	101,656,470	104,610,538
Special Revenue Funds	506,727,262	537,348,005	566,858,991
Capital Project Funds	187,965,212	137,057,617	153,540,654
Enterprise Funds	557,755,709	598,606,605	619,503,327
Total	3,620,501,097	3,719,508,529	3,833,358,845
 Budgeted Staffing	 17,601.2	 18,234.4	 18,224.0



The matrix below lists the group / agency as depicted in the organizational chart of the county. For each group / agency listed, the various fund types utilized are checked.

	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds
Administrative/Executive Group					
Board of Supervisors	X				
Clerk of the Board	X				
County Administrative Office	X	X			
County Counsel	X				
Human Resources	X	X			
Information Services	X				X
Purchasing	X				X
Risk Management					X
Local Agency Formation Commission	X				
County Schools	X				
Economic Development Agency					
Economic Development	X	X			
Fiscal Group					
Assessor	X	X			
Auditor/Controller-Recorder	X	X			
Treasurer-Tax Collector/Public Administrator	X	X			
Health Care					
Health Care	X	X		X	
Arrowhead Regional Medical Center		X		X	
Behavioral Health	X	X			
Public Health	X	X			
Human Services					
Aging and Adult Services	X				
Child Support Services	X				
Human Services	X				
Preschool Services		X			
Veterans Affairs	X				
Law and Justice Group					
County Trial Courts	X	X			
District Attorney	X	X			
Law and Justice Group Administration	X	X			
Probation	X	X			
Public Defender	X				
Sheriff-Coroner	X	X			
Public and Support Services Group					
Public and Support Services Group Administration	X				
Agriculture/Weights and Measures	X	X			
Airports	X	X			
Architecture and Engineering	X				
County Library		X			
County Museum	X			X	
Facilities Management	X				
Fleet Management					X
Land Use Services	X	X			
Public Works	X	X		X	
Real Estate Services	X	X			
Regional Parks	X	X		X	
Registrar of Voters	X				
Fish and Game Commission		X			
Capital Improvement Program					
Capital Improvement Program			X		
Finance - Other					
County Administrative Office	X	X			



REVENUE SUMMARY

The 2008-09 final budget is financed from a variety of sources. These sources are listed below. This schedule does not include operating transfers as they are a mechanism for providing financing from one fund to another within the county.

	Restated Actual 2006-07	Restated Final 2007-08	Final 2008-09	Change Between 2007-08 & 2008-09	Percentage Change
REVENUE FOR ALL COUNTY FUNDS					
(Excluding Enterprise Funds)					
Property Related Revenue	452,785,269	473,913,704	496,135,490	22,221,786	4.69%
Other Taxes	179,485,180	192,405,584	180,717,354	(11,688,230)	(6.07%)
State and Federal Aid	1,290,397,655	1,360,355,201	1,463,073,232	102,718,031	7.55%
Charges for Current Services	303,303,037	424,598,195	337,823,738	(86,774,457)	(20.44%)
Other Revenue	154,168,672	150,422,929	165,412,228	14,989,299	9.96%
Subtotal	2,380,139,813	2,601,695,613	2,643,162,042	41,466,429	1.59%
ENTERPRISE FUNDS					
Arrowhead Regional Medical Center (ARMC)	306,418,077	361,628,449	368,673,065	7,044,616	1.95%
Medical Center Lease Payment	26,594,189	24,001,225	19,522,036	(4,479,189)	(18.66%)
ARMC Capital Projects	92,728	-	-	-	-
County Museum Store	98,608	100,000	100,000	-	0.00%
Regional Parks Snackbars	54,901	82,000	104,000	22,000	26.83%
Regional Parks Environmental Science Day Camp	209,674	205,200	89,012	(116,188)	(56.62%)
Solid Waste Management	75,362,570	89,302,811	83,959,594	(5,343,217)	(5.98%)
Subtotal	408,830,747	475,319,685	472,447,707	(2,871,978)	(0.60%)
Total County Budget	2,788,970,560	3,077,015,298	3,115,609,749	38,594,451	1.25%

Restated actual 2006-07 and final 2007-08 to include the property tax swap revenue and property transfer tax revenue into the property related revenue category not the other taxes category.

Property Related Revenue

Property related revenue is expected to increase 4.69% over the 2007-08 final budget amount. This growth is primarily attributable to secured property tax and VLF/Property Tax Swap revenues in 2007-08 that exceed budgeted amounts by 3% for 2008-09. This 3% growth in assessed valuation compares to double digit assessed valuation growth in recent years. This downward adjustment is the result of a sharp decline in the housing market and a reduction in the fair value of residential properties.

Other Taxes

Other taxes are decreasing by a net \$11.7 million. Prop 172 sales tax received in 2007-08 was \$18.8 million below budget due to steep decline in real estate activity and higher oil prices. For 2008-09, growth of 3% was estimated using 2007-08 projections which translated into a net reduction of \$13.0 million for Prop 172 in 2008-09.

State and Federal Aid

An overall increase of \$102.7 million is reflected in the revenue category of state and federal aid. This increase is comprised of both increases and decreases in various programs.



Significant increases in State and Federal Aid include:

- \$53.0 million increase in the Human Services Subsistence budget units, of which \$29.6 million is in state aid for children and \$23.4 million is in federal aid for children. These increases are offset by a net \$3.2 million decrease in the Human Services Administrative Claim budget unit which represents a decrease of \$5.4 million in federal welfare administration offset by a \$2.2 million increase in state public assistance.
- \$26.9 million in state support in the Mental Health Services Act budget unit.
- \$17.5 million in Transportation's Road Operations resulting from \$15.5 million in state traffic congestion funds, \$5.0 in a FEMA federal capital grant funds, offset by the reduction of \$3.0 million in state other support.
- \$12.6 million increase in Behavioral Health which components include increases of \$7.4 million in state – other revenue, \$5.1 million in Medi-Cal inpatient revenues, \$1.1 million in federal aid for disasters, offset by a reduction of \$1.0 million in SB 90 revenues.

Significant decreases in State and Federal Aid include:

- \$3.5 million decrease in the Airports capital projects budget unit due to fewer federal funds anticipated from the Federal Aviation Administration for airport improvement.
- \$3.0 million in state funding to the Registrar of Voters which is comprised of \$2.0 million in state reimbursement of the February 2008 election and \$1.0 million in state HAVA grant funding reimbursement.

Charges for Current Services

Charges for current services are anticipated to decrease from the 2007-08 final budget. The most significant reduction in this category of revenue is in the Health Care Administration budget unit which decreased by \$89.8 million due to expected lower revenues associated with SB1100. Various transportation budget units are projecting reductions totaling \$8.8 million in facility development fees. Booking fee receipts have been eliminated resulting in \$3.0 million decrease and recording fees are down by a projected \$4.7 million due to the downturn in the economy.

Noteworthy increases in current services include \$10.8 million in law enforcement services provided by the Sheriff; \$4.0 million in property tax admin fees; \$3.4 million in court fees; an increase of \$2.8 million in countywide cost allocation plan (COWCAP) revenues, and \$2.1 million that was reclassified as current services from other revenue.

Other Revenue

Other revenue includes licenses, permits, franchises, fines and penalties, interest earnings, and tobacco settlement funds.

Significant increases in this category include \$6.6 million in long term debt proceeds for capital projects, \$5.0 million in interest revenue, \$2.3 in Transportation's Road Operations due to the anticipated proceeds from sale of surplus right-of-way in connection with the Valley Boulevard at Pepper Street intersection realignment project in Colton, and \$1.8 million in one-time funding from a closeout reconciliation of the child support and distribution trust fund approved by the state, and \$1.1 million in other court fines based on past and current collections.

Significant decreases include \$2.1 million in other revenue that was reclassified as charges for current services, and \$1.5 million in other revenue in capital projects.

Enterprise Funds

Of the seven enterprise funds listed in the revenue summary, Arrowhead Regional Medical Center, Medical Center Lease Payments, and Solid Waste Management had the most significant changes.

Arrowhead Regional Medical Center (ARMC) revenues are expected to increase by a net \$7.0 million. The most significant changes in revenue include growth of \$12.8 million in current services from private pay patients and insurance offset by anticipated reductions in the funding of patient services by the state and federal government of \$3.0 million in Medi-Cal and \$1.9 million in Medicare.

Medical Center Lease Payment revenue is decreasing by \$4.5 million due to a decrease in SB 1732 reimbursement resulting from the final maturity of the 1997 Medical Center equipment bonds

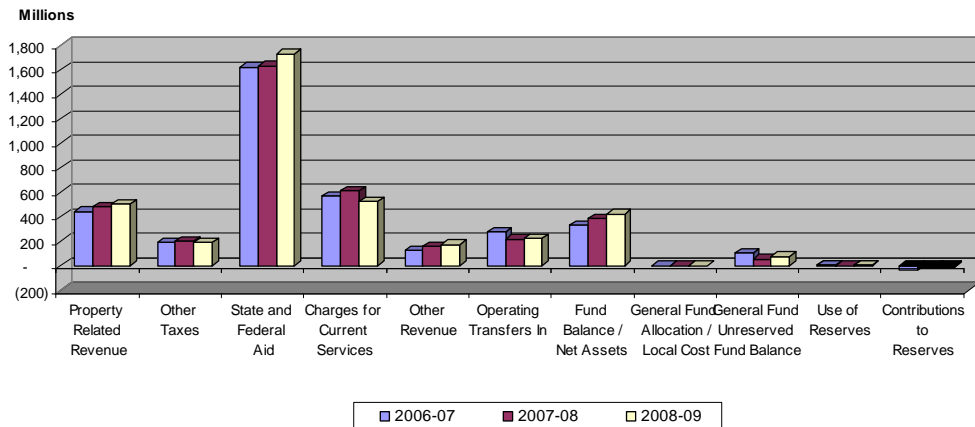
Solid Waste Management revenues decreased by \$5.3 million primarily because of reduced tonnage anticipated at the landfill/disposal sites resulting from less construction activity and increased waste diversion/recycling.

TOTAL REVENUE AND OTHER FINANCING SOURCES

	Restated Fiscal Year 2006-07 Adopted Budget	Restated Fiscal Year 2007-08 Adopted Budget	Fiscal Year 2008-09 Adopted Budget
<u>Revenue</u>			
Property Related Revenue	442,430,970	481,258,182	503,659,199
Other Taxes	187,663,775	199,525,634	188,210,404
State and Federal Aid	1,622,031,175	1,630,152,790	1,728,033,224
Charges for Current Services	568,348,265	611,222,886	524,868,984
Other Revenue	123,741,481	154,855,806	170,837,938
Total Revenues	2,944,215,666	3,077,015,298	3,115,609,749
<u>Other Financing Sources</u>			
Operating Transfers In	275,104,245	214,315,375	221,274,513
Fund Balance/Net Assets	329,871,416	383,609,334	422,517,290
General Fund Unreserved Fund Balance	100,698,815	56,425,431	77,342,818
Use of Reserves	6,063,708	2,688,000	4,096,300
Contributions to Reserves	(35,452,753)	(14,544,909)	(7,481,825)
Total Other Financing Sources	676,285,431	642,493,231	717,749,096
Total Revenue and Other Financing Sources	3,620,501,097	3,719,508,529	3,833,358,845

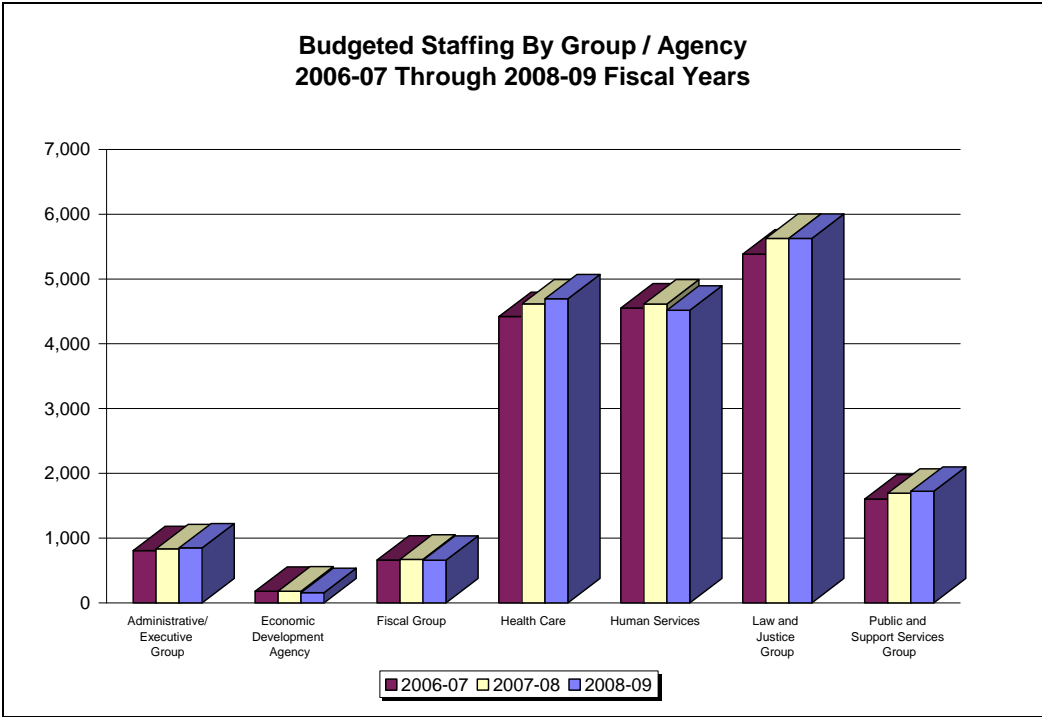
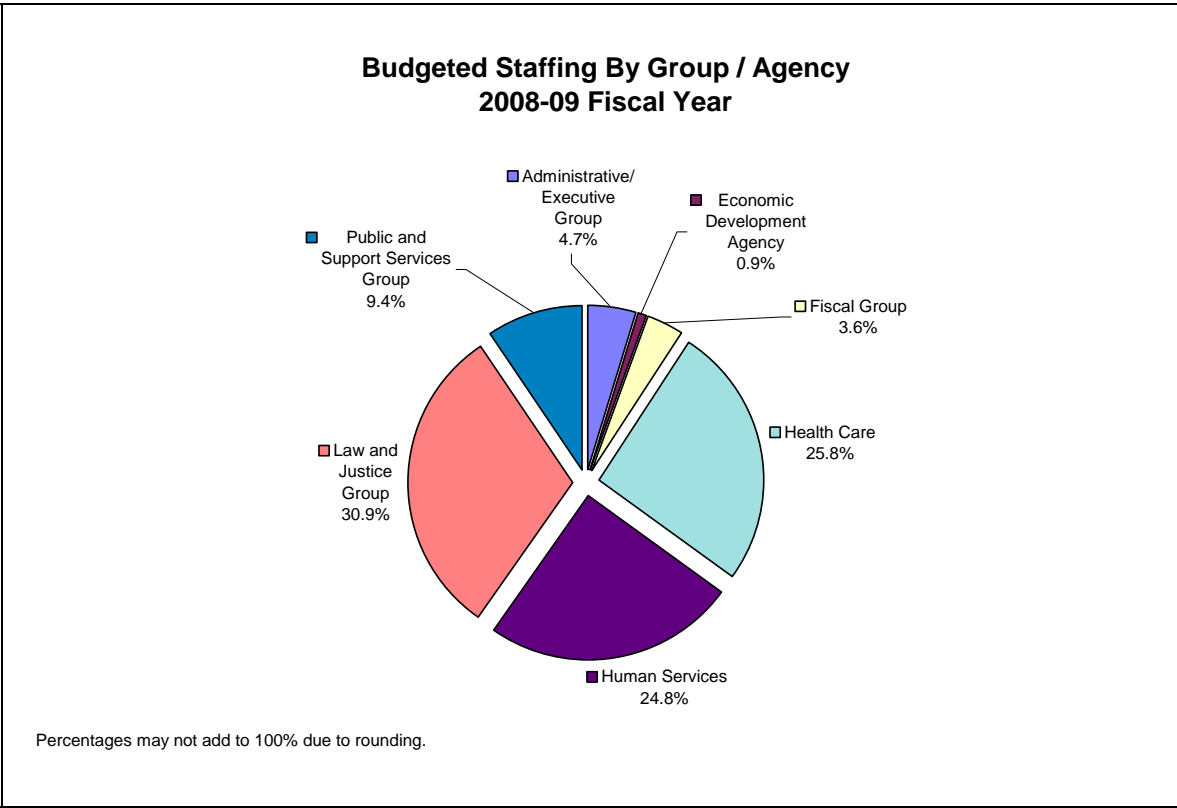
The revenue and other financing sources schedule above includes all county funds. This schedule includes operating transfers, which are the mechanism for providing financing from one fund to another within the county. Additionally, this schedule summary provides the fund balance/net assets of all non-general funds, the general fund's unreserved fund balance, as well as, the use of, and the contributions to the county's reserves as designated in the financing plan.

**Total Revenue and Other Financing Sources
2006-07 Through 2008-09 Fiscal Years**



BUDGETED STAFFING SUMMARY

The graph below depicts the budgeted staffing by group / agency for the current fiscal year. The graph at the bottom illustrates the budgeted staffing for the current as well as the prior two fiscal years.



	Change from Previous Year				2008-09 Budgeted Staffing	Percentage Change
	2007-08 Budgeted Staffing	Caseload Driven/ Grant or Special Funded Programs	All Other Programs	Total Change		
General Fund	13,481.1	(83.2)	10.1	(73.1)	13,408.0	(0.5%)
Other Funds	4,753.3	62.7	0.0	62.7	4,816.0	1.3%
Total	18,234.4	(20.5)	10.1	(10.4)	18,224.0	

Significant changes from the previous year in caseload driven, grant or special funded programs include the following:

General Fund

- **Behavioral Health** increased budgeted staffing by 32.9 positions which represent full year funding of positions added during the fiscal year.
- **Public Health** decreased budgeted staffing by a net 71.6 positions. The department deleted 52.8 vacant, budgeted positions and added 9.4 new budgeted positions for a net decrease of 43.4 budgeted positions. In addition, this budget unit experienced a budgeted staffing decrease of 28.2 positions due to a technical change to the rounding of position numbers to one decimal place on the county's budget system.
- **Aging and Adult Services – Aging Program** budgeted staffing decreased by 58.2 positions. This reduction is primarily due to the termination of the National Association for Hispanic Elderly (NAHE) contract that resulted in a staffing decrease of 44.7 positions. Other reductions include 12.5 contract positions and 1.0 Public Service Employee for a total net reduction of 58.2 positions.
- **District Attorney – Criminal Prosecution** decreased budgeted staffing by a net 1.0 position in the caseload driven, grant or special funded programs category. Additions include 2.0 grant funded positions received due to the acceptance of the State Insurance Commissioner's grant to assist with Workers' Compensation Insurance Fraud Prosecution. Offsetting this increase is a reduction of 3.0 budgeted positions related to the Street Enforcement and Marijuana Suppression grant.
- **Sheriff-Coroner** has seen a net increase of 41.6 budgeted positions in the caseload driven, grant or special funded programs category primarily due to the addition of 48.6 personnel added for city and court contracts, 2.0 positions for the enforcement of Jessica's Law, 5.0 inmate welfare funded positions, and 1.0 additional grant funded position. These increases will be offset by the reduction of 15.0 Sheriff Trainee budgeted staffing in anticipation of fewer additional contract city positions.
- **Probation – Administration, Corrections and Detention** has seen a net decrease of 12.1 positions in the caseload driven, grant or special funded programs category primarily due to the deletion of 50.0 positions due to a lack of funding for three of Probation's institutional/treatment programs, including the BRIDGES alternative to detention program (BRIDGES) and the Regional Youth Educational Facilities (RYEF) Boys and Girls programs. These deletions will be offset by the addition of 33.0 budgeted positions as a result of the State funded Juvenile Justice Realignment program. Also, 3.4 positions were added as the result of a technical change to the rounding of position numbers to one decimal place in the County's Budget System and budgeted staffing increased 1.5 for additional overtime.



Other Funds

- **Community Development and Housing** budgeted staffing decreased by 11.5 vacant, budgeted positions primarily due to reductions in funding of federal grants.
- **Assessor – State/County Property Tax Administration Program** decreased by 28.3 budgeted positions due to the consolidation of this special revenue fund into the Assessor's general fund.
- **Arrowhead Regional Medical Center (ARMC)** had a net increase of 115.3 budgeted staffing positions. Of this increase, 20.0 positions are the result of a technical change to the rounding of position numbers to one decimal place in the county's budget system. The remaining 95.3 increase is primarily due to an increase of 32.0 Medical Resident/Interns, an increase of 30.7 in Psychiatric Technicians and Nurses, an increase of 21.3 in Environmental services staff, and an increase of 17.3 due to Emergency Room staffing adjustments based on departmental needs. These internal departments were previously staffed on historical activity and have not kept up with actual FTE's appropriate for current volumes and demands. These increases are further offset by slight reductions totaling 6.0 budgeted staffing in other ARMC departments.
- **Preschool Services** budgeted staffing decreased by a net 15.2 budgeted positions. This reduction is the result of 7.8 positions added due to a technical change to the rounding of position numbers to one decimal place in the County's Budget System, coupled with an annual departmental re-evaluation of staffing requirements due to continued flat federal funding. As a result of yearly process, the department reorganized and deleted 59.7 positions consisting of 31.3 contract positions, 9.7 extra help positions and 18.7 regular positions and added 36.7 positions including 32.2 contract positions, and 4.5 regular positions.
- **District Attorney – Special Revenue** decreased by 28.0 budgeted positions. These positions were moved into the District Attorney's general fund budget unit. This technical change will provide the department flexibility in making staff reductions in the event of declining revenue through reassignments or attrition.
- **Probation – Juvenile Justice Grant Program** decreased by a net 11.5 budgeted positions due to the elimination of the SUCCESS Program as a result of state budget constraints. The department will be deleting 8.0 Probation Officers, 2.0 Office Assistants, and 2.0 Supervising Probation Officers, 11.0 of which will be transferring to Probation's Administrative, Corrections and Detention budget unit and will be funded primarily through State Juvenile Justice Realignment Program funds. The remaining 1.0 vacant Probation Officer position will be deleted. These deletions are partially offset by an increase in overtime by 0.5 budgeted staffing.
- **County Library** increased by 31.7 budgeted positions. A large majority of this increase contains full year funding for existing positions that were added towards the end of 2007-08. These positions (Library Assistant, Library Page and Student Intern) were added to correspond with the opening of larger facilities at the Fontana, Highland and Loma Linda branch libraries. The department's budget also includes partial year funding for additional staffing at the new Chino Hills and Phelan branches that are expected to open midyear 2008-09.

Significant changes from the previous year in all other programs include the following:

General Fund

- **Assessor** general fund budget unit increased a net 8.7 positions. This increase was the result of three factors. The first reason being the consolidation of the Assessor's special revenue fund, State/County Property Tax Administration Program, into the general fund which included the addition of 28.3 positions. The second factor was the reduction of 9.8 budgeted positions to accommodate trends in historical staffing levels and provide for an anticipated vacancy factor. The third factor was the reduction in local cost funding which formerly backfilled state funds. This backfill reduction accounted for a decrease of 9.8 budgeted staff.
- **District Attorney – Criminal Prosecution** budgeted staffing increased by an additional 32.0 positions that were not related to caseload or grant driven. The majority of these, 33.0 budgeted positions, were moved from the District Attorney's other budget units into this District Attorney's general fund. Another 1.0 position was deleted to correct for a previous dual filled position.
- **Sheriff-Coroner** has seen a net decrease of 7.1 budgeted positions. Of this decrease, 8.4 positions are the result of a technical change to the rounding of position numbers to one decimal place in the County's Budget System. This decrease is offset by the increase of 0.9 budgeted staffing to fully fund an Automated Systems Technician, 0.2 budgeted staffing to allow for the reclassification of two recurrent positions to one regular Training Specialist and 0.2 budgeted staffing towards additional overtime for an Accountant I.

Countywide staffing changes are outlined by county department in the following chart:

BUDGETED STAFFING SUMMARY

Department	2006-07 Final Budget	2007-08 Final Budget	2008-09 Final Budget	Change Between 2007-08 & 2008-09
ADMINISTRATIVE/EXECUTIVE GROUP				
<u>GENERAL FUND</u>				
BOARD OF SUPERVISORS	60.5	57.3	62.1	4.8
BOARD OF SUPERVISORS - LEGISLATION	2.0	5.0	4.5	(0.5)
CLERK OF THE BOARD	15.0	16.0	16.0	0.0
COUNTY ADMINISTRATIVE OFFICE	21.3	25.0	26.0	1.0
COUNTY ADMINISTRATIVE OFFICE - FRANCHISE ADMINISTRATION	3.0	3.0	0.0	(3.0)
COUNTY COUNSEL	67.6	71.6	73.7	2.1
HUMAN RESOURCES	100.0	103.0	103.0	0.0
HUMAN RESOURCES - THE CENTER FOR EMPLOYEE HEALTH AND WELLNESS	18.2	18.5	18.5	0.0
INFORMATION SERVICES - APPLICATION DEVELOPMENT	102.8	107.5	107.7	0.2
PURCHASING	15.0	15.0	18.0	3.0
SUBTOTAL GENERAL FUND	405.4	421.9	429.5	7.6
<u>OTHER FUNDS</u>				
HUMAN RESOURCES - COMMUTER SERVICES	2.5	3.0	3.0	0.0
HUMAN RESOURCES - EMPLOYEE BENEFITS AND SERVICES	33.0	32.0	32.0	0.0
INFORMATION SERVICES - COMPUTER OPERATIONS	135.1	134.1	140.4	6.3
INFORMATION SERVICES - TELECOMMUNICATIONS SERVICES	105.0	118.0	120.4	2.4
PURCHASING - PRINTING SERVICES	16.0	18.0	19.0	1.0
PURCHASING - SURPLUS PROPERTY AND STORAGE OPERATIONS	8.0	5.0	3.0	(2.0)
PURCHASING - MAIL/COURIER SERVICES	31.0	30.0	29.0	(1.0)
RISK MANAGEMENT - OPERATIONS	71.0	72.0	73.0	1.0
SUBTOTAL OTHER FUNDS	401.6	412.1	419.8	7.7
TOTAL ADMINISTRATIVE/EXECUTIVE GROUP	807.0	834.0	849.3	15.3
ECONOMIC DEVELOPMENT AGENCY				
<u>GENERAL FUND</u>				
ECONOMIC DEVELOPMENT	47.0	48.0	45.0	(3.0)
SUBTOTAL GENERAL FUND	47.0	48.0	45.0	(3.0)
<u>OTHER FUNDS</u>				
COMMUNITY DEVELOPMENT AND HOUSING	49.0	49.5	38.0	(11.5)
WORKFORCE DEVELOPMENT	84.0	84.0	75.0	(9.0)
SUBTOTAL OTHER FUNDS	133.0	133.5	113.0	(20.5)
TOTAL ECONOMIC DEVELOPMENT AGENCY	180.0	181.5	158.0	(23.5)
FISCAL GROUP				
<u>GENERAL FUND</u>				
ASSESSOR	204.5	203.5	212.2	8.7
AUDITOR/CONTROLLER-RECORDER	210.6	216.8	216.4	(0.4)
TREASURER-TAX COLLECTOR/PUBLIC ADMINISTRATOR	199.4	201.1	201.3	0.2
SUBTOTAL GENERAL FUND	614.5	621.4	629.9	8.5
<u>OTHER FUNDS</u>				
ASSESSOR - STATE/COUNTY PROPERTY TAX ADMINISTRATION PROGRAM	28.3	28.3	0.0	(28.3)
AUDITOR/CONTROLLER-RECORDER - SYSTEMS DEVELOPMENT	17.0	20.0	26.0	6.0
AUDITOR/CONTROLLER-RECORDER - RECORDER RECORDS	0.0	1.0	1.0	0.0
AUDITOR/CONTROLLER-RECORDER - ELECTRONIC RECORDING	0.0	1.0	0.0	(1.0)
SUBTOTAL OTHER FUNDS	45.3	50.3	27.0	(23.3)
TOTAL FISCAL GROUP	659.8	671.7	656.9	(14.8)



BUDGETED STAFFING SUMMARY

Department	2006-07 Final Budget	2007-08 Final Budget	2008-09 Final Budget	Change Between 2007-08 & 2008-09
HEALTH CARE				
<u>GENERAL FUND</u>				
HEALTH CARE ADMINISTRATION	4.0	20.8	21.4	0.6
BEHAVIORAL HEALTH	644.2	766.7	799.6	32.9
BEHAVIORAL HEALTH - ALCOHOL AND DRUG SERVICES	76.4	85.8	87.5	1.7
PUBLIC HEALTH	840.4	904.3	832.7	(71.6)
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	171.4	180.9	180.9	0.0
SUBTOTAL GENERAL FUND	1,736.4	1,958.5	1,922.1	(36.4)
<u>OTHER FUNDS</u>				
ARROWHEAD REGIONAL MEDICAL CENTER	2,683.4	2,656.0	2,771.3	115.3
SUBTOTAL OTHER FUNDS	2,683.4	2,656.0	2,771.3	115.3
TOTAL HEALTH CARE	4,419.8	4,614.5	4,693.4	78.9
HUMAN SERVICES				
<u>GENERAL FUND</u>				
AGING AND ADULT SERVICES - AGING PROGRAM	103.2	133.8	75.6	(58.2)
AGING AND ADULT SERVICES - PUBLIC GUARDIAN - CONSERVATOR	28.0	30.0	28.5	(1.5)
CHILD SUPPORT SERVICES	461.5	452.0	440.0	(12.0)
HUMAN SERVICES - ADMINISTRATIVE CLAIM	3,425.0	3,451.0	3,442.4	(8.6)
VETERANS AFFAIRS	18.0	18.0	18.0	0.0
SUBTOTAL GENERAL FUND	4,035.7	4,084.8	4,004.5	(80.3)
<u>OTHER FUNDS</u>				
PRESCHOOL SERVICES	514.1	527.9	512.7	(15.2)
SUBTOTAL OTHER FUNDS	514.1	527.9	512.7	(15.2)
TOTAL HUMAN SERVICES	4,549.8	4,612.7	4,517.2	(95.5)
LAW AND JUSTICE GROUP				
<u>GENERAL FUND</u>				
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	449.0	506.0	537.0	31.0
DISTRICT ATTORNEY - CHILD ABDUCTION AND RECOVERY	6.0	6.0	0.0	(6.0)
LAW AND JUSTICE GROUP ADMINISTRATION	1.0	1.0	1.0	0.0
PROBATION - ADMIN, CORRECTIONS & DETENTION	1,179.2	1,233.4	1,221.3	(12.1)
PUBLIC DEFENDER	221.0	252.6	246.0	(6.6)
SHERIFF-CORONER	3,426.6	3,526.2	3,560.7	34.5
SUBTOTAL GENERAL FUND	5,282.8	5,525.2	5,566.0	40.8
<u>OTHER FUNDS</u>				
DISTRICT ATTORNEY - SPECIAL REVENUE	37.8	28.0	0.0	(28.0)
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	50.8	55.0	43.5	(11.5)
SHERIFF-CORONER - SPECIAL REVENUE	12.0	18.0	18.0	0.0
SUBTOTAL OTHER FUNDS	100.6	101.0	61.5	(39.5)
TOTAL LAW AND JUSTICE GROUP	5,383.4	5,626.2	5,627.5	1.3



BUDGETED STAFFING SUMMARY

Department	2006-07 Final Budget	2007-08 Final Budget	2008-09 Final Budget	Change Between 2007-08 & 2008-09
PUBLIC AND SUPPORT SERVICES GROUP				
<u>GENERAL FUND</u>				
PUBLIC AND SUPPORT SERVICES GROUP ADMINISTRATION	10.0	10.0	10.0	0.0
AGRICULTURE/WEIGHTS AND MEASURES	65.7	69.3	69.3	0.0
AIRPORTS	29.5	29.5	30.5	1.0
ARCHITECTURE AND ENGINEERING	26.3	28.0	29.3	1.3
COUNTY MUSEUM	52.7	51.6	50.1	(1.5)
FACILITIES MANAGEMENT	153.4	154.9	147.4	(7.5)
FACILITIES MANAGEMENT - UTILITIES	1.0	1.0	1.0	0.0
LAND USE SERVICES - ADMINISTRATION	11.0	12.0	12.0	0.0
LAND USE SERVICES - ADVANCE PLANNING	18.0	18.0	18.0	0.0
LAND USE SERVICES - CURRENT PLANNING	33.0	34.0	34.0	0.0
LAND USE SERVICES - BUILDING AND SAFETY	95.2	98.2	98.2	0.0
LAND USE SERVICES - CODE ENFORCEMENT	40.0	41.0	41.0	0.0
LAND USE SERVICES - FIRE HAZARD ABATEMENT	22.0	22.0	22.0	0.0
PUBLIC WORKS - SURVEYOR	41.9	42.6	41.4	(1.2)
REAL ESTATE SERVICES	24.0	24.0	23.6	(0.4)
REGIONAL PARKS	127.6	133.7	133.6	(0.1)
REGISTRAR OF VOTERS	40.0	51.5	49.6	(1.9)
SUBTOTAL GENERAL FUND	791.3	821.3	811.0	(10.3)
<u>OTHER FUNDS</u>				
COUNTY LIBRARY	226.2	251.3	283.0	31.7
COUNTY MUSEUM - MUSEUM STORE	1.8	2.0	2.0	0.0
FLEET MANAGEMENT - GARAGE	92.0	94.5	96.0	1.5
FLEET MANAGEMENT - MOTOR POOL	4.0	4.0	4.0	0.0
PUBLIC WORKS - ROAD OPERATIONS	386.5	412.4	415.8	3.4
PUBLIC WORKS - SOLID WASTE MANAGEMENT - OPERATIONS	95.8	99.9	104.5	4.6
REGIONAL PARKS - CALICO GHOST TOWN MARKETING SVCS	1.0	1.2	1.2	0.0
REGIONAL PARKS - SNACK BARS	1.3	1.3	1.1	(0.2)
REGIONAL PARKS - ENVIRONMENTAL SCIENCE DAY CAMP	1.5	5.9	3.1	(2.8)
SUBTOTAL OTHER FUNDS	810.1	872.5	910.7	38.2
TOTAL PUBLIC AND SUPPORT SERVICES GROUP	1,601.4	1,693.8	1,721.7	27.9
TOTAL COUNTY DEPARTMENTS - GENERAL FUND	12,913.1	13,481.1	13,408.0	(73.1)
TOTAL COUNTY DEPARTMENTS - OTHER FUNDS	4,688.1	4,753.3	4,816.0	62.7
COUNTY DEPARTMENTS GRAND TOTAL	17,601.2	18,234.4	18,224.0	(10.4)



CAPITAL IMPROVEMENT PROGRAM

The County's Capital Improvement Program includes construction, rehabilitation and repair projects for numerous facilities and structures.

The capital project funds listed in the appropriation summary schedules in this Budget Summary and presented in the chart below represent those managed by the Architecture and Engineering Department and accounted for in the following funds: CJV, CJS, and CMV.

Capital Project Funds

	Nbr of Projects	General Fund Local Cost	Other Discretionary Funding	Restricted Funding	Total
<u>New Projects</u>					
Fund CJV					
Contributions to Other Agencies	1	437,500			437,500
Inter-Fund Contributions	1			350,000	350,000
Structures and Improvements	39	17,025,000	536,300	610,000	18,171,300
<i>Total CJV New Projects</i>	41	17,462,500	536,300	960,000	18,958,800
<u>Carryover Projects</u>					
Fund CJV					
Contributions to Other Agencies	10	4,311,668			4,311,668
Inter-Fund Contributions	8			788,657	788,657
Land	1	381,000			381,000
Structures and Improvements	147	36,022,767	24,566,363	44,894,370	105,483,500
<i>Total CJV Carryover Projects</i>	166	40,715,435	24,566,363	45,683,027	110,964,825
Fund CJS					
Structures and Improvements	1	20,428			20,428
Fund CMV					
Structures and Improvements	1	4,002,106			4,002,106
<i>Total Carryover Projects</i>	168	44,737,969	24,566,363	45,683,027	114,987,359
Total Capital Project Funds	209	62,200,469	25,102,663	46,643,027	133,946,159

In the 2008-09 final budget, \$19.0 million in new projects are funded, primarily using County discretionary funds. Major projects include additional funding of \$2.9 million for the Barstow Sheriff Sub-Station Remodel and Expansion Project increasing the total budget to \$3.5 million and additional funding of \$1.3 million for the Crestline Library Project increasing the total budget to \$5.5 million. The Board has also approved funding for the design of a new fire station in Ludlow/Amboy and a new office building in Joshua Tree.

Various other infrastructure projects will provide additional funding for existing Heating, Ventilation and Air Conditioning projects at the Redlands Museum and Yucaipa Library, improve water systems, provide electrical and lighting upgrades and equipment replacements at various county facilities, upgrade fire alarm and fire protection systems, provide emergency generators at various facilities including the Devore Animal Shelter, and replace roofs at West Valley Detention Center and several other county office buildings.

Projects approved in prior years but not yet completed total an additional \$115.0 million. The four major carryover projects are the \$47.9 million seismic retrofit and remodel of the historic County Courthouse in San Bernardino to be funded primarily by an existing civil filing fee surcharge, the \$7.4 million construction of the Hall of Geological Wonders at the County Museum in Redlands, the \$8.0 million expansion and remodel of the Fontana Courthouse, and \$5.0 million for the design to add 896 beds to the Adelanto Jail Facility. The total estimated budget for the jail



expansion is \$151.0 million and a \$7.0 million ongoing set aside has been included in the budget financing plan for debt service.

The County has several other capital projects that are accounted for in various special revenue funds belonging to the respective project departments, such as Airports, Regional Parks, and the Department of Public Works Solid Waste Management and Transportation Divisions. Additionally, there are three enterprise funds, which are part of the Arrowhead Regional Medical Center (ARMC), that are used for capital projects of ARMC.

For a complete listing of capital improvement program highlights in all funds, please refer to the Capital Improvement Program section of this budget book.

GENERAL FUND FINANCING

County general fund operations are financed with four major types of financing sources: departmental revenue, Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue.

Departmental revenue includes fees, service charges, and state and federal support for programs such as welfare, health care, and behavioral health. Proposition 172 revenue is restricted and is used solely for financing the Sheriff, District Attorney, and Probation departments. Realignment revenue is also restricted and used in financing mental health, social services and health programs within the County.

The balance of departmental costs not funded by departmental revenue, Proposition 172 revenue, and/or Realignment revenue is considered local cost or general fund financing. Local cost is funded by countywide discretionary revenue, which is primarily property tax revenue.

Any countywide discretionary revenue not distributed to departments through their local cost allocation is placed in contingencies. Every year the County of San Bernardino has set aside a prudent dollar amount in contingencies and reserves for two purposes. One is to ensure that the county can accommodate unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the county. The second purpose is to be proactive and set aside funds to meet future known obligations or to build a reserve for large capital projects.

The following sections describe the economic indicators that are factored into the County's financing plan. Additionally, details related to Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue, as they relate to financing general fund departments. Furthermore, detailed information is included on the contributions and uses of county general fund contingencies and reserves for 2007-08 and the proposed contributions and uses of general fund contingencies and reserves for 2008-09.

ECONOMIC INDICATORS

San Bernardino County is part of an Inland Empire economy that has historically been one of the strongest in the U.S. However, in 2007, the slowdown in the housing sector caused the two county area's job growth to fall to just 592 positions (up 0.5%). For the first seven months of 2008, the California Employment Development Department puts its job change at -20,000 jobs indicating that the dramatic slowdown in home construction is taking a toll on the overall economy. In fiscal year 2007, San Bernardino County's retail sales totaled \$31.1 billion, down -0.3%. That was below the 2.0% growth in California. The County's per capita sales of \$15,353 was just above the state's average of \$15,006. The county's high retail sales levels are, in part, the result of the region's lower living costs for a Southern California area. The county's median household income in 2007 was \$56,428, putting it above Los Angeles County (\$53,573) but below California (\$59,948). However, after one year's amortization on the mortgage for the median home (\$20,581), the disposable income remaining in San Bernardino County is \$35,847 versus \$33,423 in Orange County and \$20,658 in Los Angeles County.

San Bernardino County's assessed valuation was up 5.1% for fiscal year 2009 or \$8.9 billion. The gain occurred despite adjustments made due to the decline in the county's home prices and a deep slowdown in residential construction. The gain was helped by the industrial market which reached a record 284.0 million square feet of space in second quarter 2008, with another 10.7 million square feet under construction. The industrial space lease rate increased 2.8% from second quarter 2007-08 to reach \$5.08 per square foot a year. The office market has expanded to 10.1 million square feet in second quarter 2008, with 533,831 square feet being built. The lease rate increased 0.5% from second quarter 2007-08 to reach \$1.96 per square foot a month.

STATE OF CALIFORNIA'S BUDGET

On January 10, 2008, Governor Schwarzenegger released the Governor's Budget for 2008-09. The Governor cited two challenges, closing the budget shortfall and taking steps to avoid a potential shortfall in the State's cash reserves. He stated that the budget problems were a result of a budget system that has no linkage between revenue and spending. The May Revision updated the proposed budget and demonstrated that California's budget gap had widened from a projected \$14.5 billion to a projected \$24.3 billion as a result of economic growth slowing, state revenues softening, and costs increasing. In August, with no plan in place for solving the State's budget shortfall, the Governor proposed a Compromise to solve the budget crisis. As of the beginning of September, the State budget has not passed.

Source: The California Department of Finance

PROPOSITION 172

Proposition 172 (Prop 172), which became effective January 1, 1994, placed a one-half percent sales tax rate in the state's constitution and required that revenue from the additional one-half percent sales tax be used only for local public safety activities, which include but are not limited to sheriff, police, fire protection, county district attorney, and county corrections. Funding from Prop 172 enabled counties and cities to substantially offset the public safety impacts of property tax losses resulting from the state property tax shift to the Educational Revenue Augmentation Fund (ERAF).

The one-half percent sales tax imposed by Prop 172 is collected by the state and apportioned to each county based on its proportionate share of statewide taxable sales. In accordance with Government Code 30055, of the total Prop 172 revenue allocated to San Bernardino County, 5% is distributed to cities affected by the property tax shift and 95% remains within the county.

On August 22, 1995, the County of San Bernardino Board of Supervisors approved the recommendation that defined the following departments as the public safety services designated to receive the county's 95% share of Prop 172 revenue, consistent with Government Code Section 30052 and authorized the Auditor/Controller to deposit the county's portion of the Prop 172 revenue as follows:

➤	Sheriff	70.0%
➤	District Attorney	17.5%
➤	Probation	12.5%

Prop 172 revenue currently presents a significant funding source for the Sheriff, District Attorney, and Probation Departments. Each year, as part of the budget development process, projections of Prop 172 growth are developed based on staff analysis of revenue trends and forecasts provided by an outside economist.

Growth in Prop 172 revenue is used first to fund mandated cost increases in these departments, including MOU adjustments, retirement, worker's compensation and insurance. In most years, the mandated cost increases consume the vast majority of Prop 172 revenue growth and all Prop 172 revenue is distributed to the designated departments to maintain current level of service.

On February 13, 2007, the Board of Supervisors approved a policy which requires the county to maintain an appropriation for contingency for Prop 172 funds targeted at no less than 10% of the current year's budgeted Prop 172 revenue. This 10% contingency was created to ensure funding for these public safety departments should the county experience Prop 172 revenue shortfalls in the future. These contingencies will be maintained for each respective department within the Prop 172 restricted general fund.

In some budget years, Prop 172 revenue exceeds budgeted amounts and is considered excess Prop 172 revenue. All excess Prop 172 revenue is set aside in a restricted general fund by department to adhere to the Prop 172 policy.

Currently, the Sheriff Department does not have sufficient Prop 172 revenues to fund their 10% targeted contingency amount of approximately \$10.8 million. The County Administrative Office has revised the Prop 172 five-year plan to account for recent changes in the economy and still provide for the goal of achieving the targeted 10% contingency for the Sheriff Department. The District Attorney and Probation Department have accumulated the necessary funds to meet the 10% contingency requirement.

The chart below illustrates the anticipated beginning and ending fund balance of this restricted general fund for 2008-09 as well as projected revenue, including interest.

	Beginning Fund Balance	2008-09 Budgeted Revenue	2008-09 Budgeted Departmental Usage	Estimated Ending Fund Balance	10% Contingency Target	Excess/(Shortfall) in Contingency Target
Sheriff	8,590,105	107,902,615	(107,050,000)	9,442,720	10,790,262	(1,347,542)
District Attorney	3,663,885	27,250,654	(27,037,500)	3,877,039	2,725,065	1,151,974
Probation	3,739,657	19,464,753	(19,312,500)	3,891,910	1,946,475	1,945,435
Total	15,993,647	154,618,022	(153,400,000)	17,211,669	15,461,802	1,749,867

Prop 172 budgeted revenue and interest for all three departments in 2008-09 is projected to be \$154.7 million (\$153.4 million in Prop 172 receipts and \$1.3 million in interest revenue). Prop 172 revenue is estimated at 3% growth in 2008-09 from the 2007-08 projection of approximately \$149.0 million. The applicable department's budgeted appropriation in 2008-09 is \$153.4 million. Interest earned will stay in this restricted general fund by department.



REALIGNMENT

In 1991 the state shifted responsibility for a number of mental health, social services, and health programs to counties. This shift, known as Realignment, resulted in the creation of two dedicated funding streams to pay for the shifted services: a ½ cent Sales Tax and 24.33% of Vehicle License Fee (VLF) revenues made available by a change in the depreciation schedule for vehicles. Pursuant to SB 1096, Chapter 21, Statutes of 2004, the Vehicle License Fee was reduced from 2.0% of the market value of a vehicle to .65% of the market value. SB 1096 also changed the percentage of the VLF revenue allocated to Realignment from 24.33% to 74.9%. This change did not result in increased VLF revenues to Realignment, but simply reflects the same funding amount expressed as a percentage of the reduced revenue collected. Each of the three service areas identified was required to have their own separate accounts established and each of those service areas receive a different share of statewide Realignment revenues.

Within the mental health area, the programs for which the county is now responsible are: community-based mental health programs, State Hospital services for county patients, and Institutions for Mental Disease. Within the social services area, the programs for which the county is now responsible are: the county revenue stabilization program and the county justice subvention program. Within the health area, the programs for which the county is now responsible are: AB8 county health services, local health services, medically indigent services, and the county medical services program.

In addition to these program responsibility shifts, a number of programs had changes made to their cost sharing ratios. Below are the programs involved in the cost sharing ratio changes (numbers are shown in percentages in the order of state/county shares of cost). For example, prior to Realignment, Foster Care costs were funded by 95% state resources and 5% county resources. Now Foster Care is funded by 40% state resources and 60% county resources, which is a significant impact to the county.

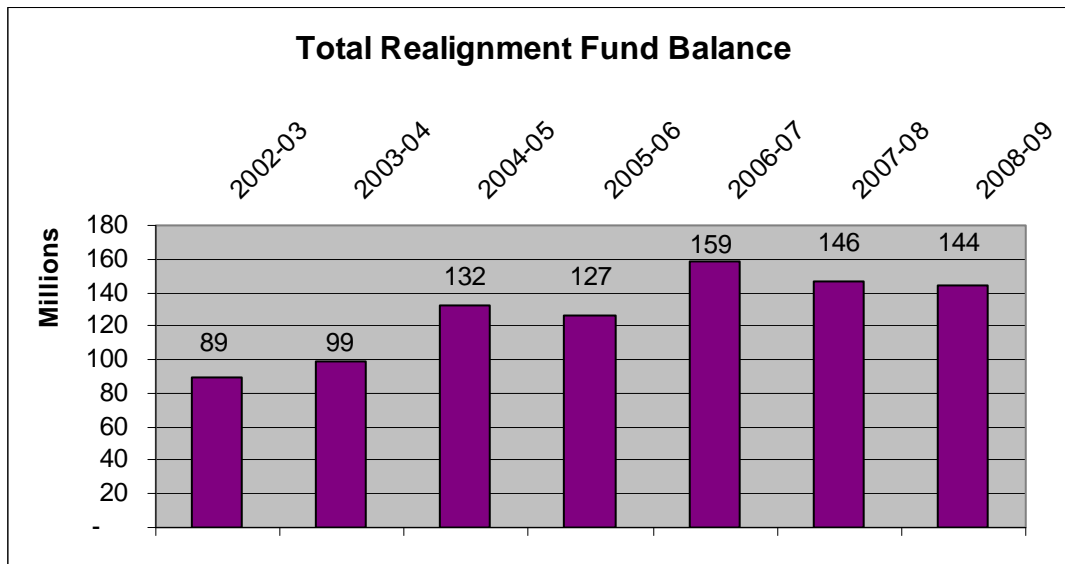
	From State/County	To State/County
Social Services programs:		
Foster Care	95/5	40/60
Child Welfare Services	76/24	70/30
Adoption Assistance	100/0	75/25
CalWORKs	89/11	95/5
County Services Block Grant	84/16	70/30
Greater Avenues for Independence	100/0	70/30
Social Services administration	50/50	70/30
In Home Supportive Services (IHSS)	97/3	65/35
Health programs:		
California Children's Services	75/25	50/50

The Realignment program has some flaws in its design that adversely impact County of San Bernardino revenues. First, San Bernardino County is an "under equity county," meaning that the county receives a lesser share of revenue relative to other counties based on population and estimated poverty population. Revenue distributions among counties were determined by expenditures in the programs that were transferred just prior to the adoption of Realignment. San Bernardino County was under equity in those programs. Realignment did attempt to address the inequity issue, but the effort fell short. The county continues to be under equity at this time and barring any legislative action the amount of inequity will increase over time. As growth occurs in the revenue streams, that incremental new funding is distributed on existing sharing arrangements between the counties. The counties that are already over equity get a higher percentage of the new revenue while those that are under equity get less.

In addition to the under equity issue is the fact that the demand for the services the county is providing and the revenue streams funding them are both sensitive to the economy. When the economy does poorly, demand for services is high, but revenues under perform. When the economy is doing well, demand for services is reduced, sales taxes and vehicle license fees revenues are high, and growth in these funding streams is experienced. However, Social Services has priority claim on any sales tax growth received. If the growth is sufficient to cover the increasing Social Services caseload costs, then anything remaining is distributed to the Mental Health and Health realignment funds.

Budgetary Note: Financial information presented in this Realignment budget section is consistent with state reporting requirements for the Realignment funds. The state's reporting requirements are not consistent with the county's implementation of GASB 34 as it relates to revenue accrual. As such, within the county's accounting system, an adjustment will be made to show the correct revenues in accordance with the county's accrual procedures. This is a revenue timing issue only as a result of delays by the state in distributing sales tax growth revenue.

The graph below shows the history of fund balance for all Realignment funds.



Fund balances increased significantly from 2003-04 to 2004-05. The increased fund balance in 2004-05 was driven by lower than expected expenditures in Behavioral Health, Probation, ARMC, and Foster Care.

The decrease in 2005-06 is the result of a one-time transfer of funds to ARMC for the remodel of the 6th floor of the hospital, offset by significant sales tax growth revenue of \$15.3 million, or 21%, within the Social Services Fund.

In 2006-07, significant savings occurred due to less than required realignment support for the ARMC debt service and the availability of ARMC construction litigation monies used to fund budgeted ARMC projects. This savings resulted in an increase of \$32.0 million in fund balance.

However, during 2007-08 an unanticipated increase in departmental usage for Behavioral Health, resulting from un-reimbursed Medi-cal and Title XIX EPSDT claims, coupled with sales tax and vehicle license fee revenue base short falls, resulted in a decrease of \$12.4 million in fund balance for the period ending June 30, 2008.

Budget History for All Realignment Funds					
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	BUDGET 2006-07	ACTUAL 2006-07	BUDGET 2007-08	ESTIMATE 2007-08	FINAL 2008-09
Beginning Fund Balance	117,711,163	126,723,986	161,559,557	158,643,573	146,236,912
Revenue	212,247,973	212,540,415	224,888,389	209,300,060	218,518,239
Department Usage	209,101,739	180,620,828	213,757,273	221,706,721	220,617,336
Ending Fund Balance	120,857,397	158,643,573	172,690,673	146,236,912	144,137,814
Change in Fund Balance	3,146,234	31,919,587	11,131,116	(12,406,661)	(2,099,097)

For 2007-08, estimated beginning fund balance is \$2.9 million less than budget. This decrease is the result of revenue growth that was anticipated to occur during 2006-07, but never materialized. Additionally, total revenue is estimated at \$15.6 million less than budget. The 2007-08 budget initially included growth of 5% and 4% in sales tax and vehicle license fees, respectively. However, not only was no growth realized, but actual sales tax and vehicles license fee revenues were 1.8% and 1.1% short of base, respectively. Coupled with departmental usage in excess of budget by \$7.9 million, estimated June 30, 2008 ending fund balance is \$26.5 million less than budget.

For the 2008-09 budget, revenue reflects a decrease of \$6.4 million from prior year budget. This decrease results primarily from not realizing any of the growth originally budgeted for 2007-08 and less anticipated growth for 2008-09. Anticipated growth in sales tax of 2.7%, growth in vehicle license fees of 4%, and recovery of the base shortfalls from prior year, are included for 2008-09. Offsetting this growth are proposed increases in departmental usage of \$6.9 million, resulting in a net use of \$2.1 million in total fund balance.

SUMMARY OF REALIGNMENT BUDGET UNITS FOR 2008-09				
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	Mental Health	Social Services	Health	Total
Estimated Beginning Fund Balance	20,689,159	79,208,138	46,339,615	146,236,912
Budgeted Revenue	61,599,016	94,672,150	62,247,073	218,518,239
Budgeted Departmental Usage	73,859,589	82,481,141	64,276,606	220,617,336
Budgeted 10% Transfers	-	-	-	-
Estimated Ending Fund Balance	8,428,586	91,399,146	44,310,082	144,137,814
Estimated Change in Fund Balance	(12,260,573)	12,191,009	(2,029,533)	(2,099,097)
Estimated Ending Fund Balance	8,428,586	91,399,146	44,310,082	144,137,814
10% Contingency Target	6,159,902	9,467,215	6,224,707	21,851,824
Available Ending Fund Balance	2,268,685	81,931,931	38,085,374	122,285,991

The Realignment budgets do not directly spend funds or provide service. They are strictly financing budgets with the actual expenditures occurring within the operating budget units of the departments that receive Realignment revenue.

The Realignment legislation does allow for some flexibility in usage of funds at the county level. Upon action by the Board of Supervisors, a county can transfer 10% of a given years revenue from one fund to another. San Bernardino County has used the provision repeatedly over the years to help support either the health or social services programs. The County did not do a 10% transfer in 2007-08 and is not budgeting one for 2008-09. However, in the event that such transfer is needed, Board of Supervisors approval is required.

Additionally, an appropriation for contingency of Realignment funds is being presented for 2008-09. This contingency is established at 10% of the current year's budgeted revenue. This 10% contingency is established to ensure funding for the mental health, social services and health budget units should the county experience Realignment revenue shortfalls.

The next three pages contain the breakdown of the fund balance calculations and departmental usage for each of the three individual Realignment funds.

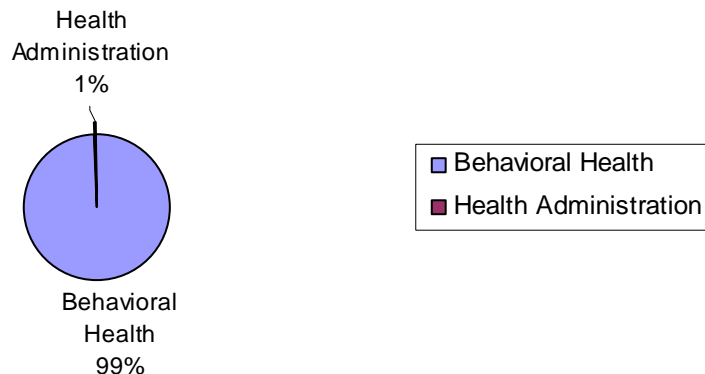


Mental Health				
	ACTUAL 2006-07	BUDGET 2007-08	ESTIMATE 2007-08	FINAL 2008-09
Beginning Fund Balance	51,362,384	54,525,520	53,781,558	20,689,159
Revenue	60,274,844	62,142,263	59,394,901	61,599,016
Department Usage	57,855,670	70,584,965	92,487,299	73,859,589
10% Transfers	-	-	-	-
Ending Fund Balance	53,781,558	46,082,818	20,689,159	8,428,586
Change in Fund Balance	2,419,174	(8,442,702)	(33,092,399)	(12,260,573)

In 2006-07, actual revenue of \$60.3 million, offset by actual departmental expenditure of \$57.9 million resulted in an increase in fund balance of \$2.4 million. For 2007-08, the Mental Health fund spent \$33.1 million of fund balance. Base short falls in sales tax and vehicle license fees revenue resulted in total revenue \$2.7 million less than budget. In addition to the revenue short falls, departmental expenditures in excess of \$21.9 million over budget results in an estimated decrease of \$24.6 million in fund balance for the period ending June 30, 2008.

For 2008-09, the Mental Health fund is budgeted to spend \$12.3 million of fund balance. This use is due primarily to uncompensated cost increases related to salaries, contracted services and other services and supplies. Coupled with limited or no growth expected in Mental Health realignment, the ending fund balance within this fund is expected to show continued decline. As such, the Department of Behavioral Health and the County Administrative Office are evaluating the Department's five-year plan to ensure that ongoing departmental usage and ongoing revenues stay in line. Additionally, the Department is developing plans for increased Medi-Cal and Title XIX EPSDT funding, and increased cost reimbursement from the Mental Health Services Act, in order to slow the annual draws from the Mental Health Realignment fund.

Breakdown of Department Usage of Mental Health Realignment				
	ACTUAL 2006-07	BUDGET 2007-08	ESTIMATE 2007-08	FINAL 2008-09
Behavioral Health	57,360,742	70,019,971	91,940,048	73,375,595
Health Administration	494,928	564,994	547,252	483,994
Total Department Usage	57,855,670	70,584,965	92,487,299	73,859,589



Social Services

	ACTUAL 2006-07	BUDGET 2007-08	ESTIMATE 2007-08	FINAL 2008-09
Beginning Fund Balance	35,822,944	58,524,085	56,824,195	79,208,138
Revenue	91,093,748	99,912,421	89,475,824	94,672,150
Department Usage	70,092,497	74,096,500	67,091,881	82,481,141
10% Transfers	-	-	-	-
Ending Fund Balance	56,824,195	84,340,006	79,208,138	91,399,146
Change in Fund Balance	21,001,251	25,815,921	22,383,943	12,191,009

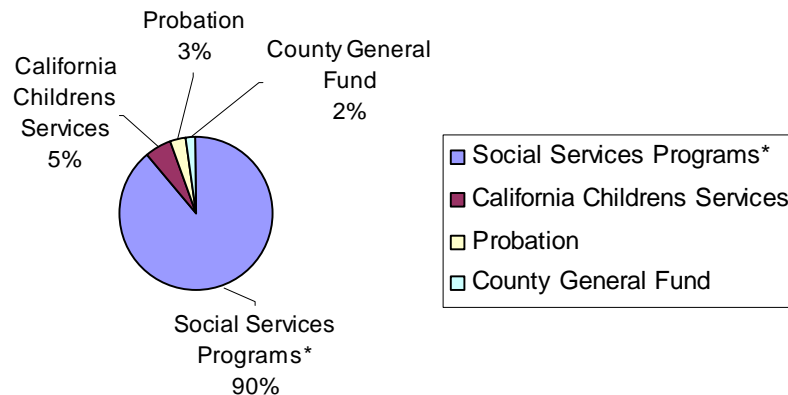
Social Services realignment revenue is composed primarily of sales tax. The split is currently 96% sales tax and 4% vehicle license fees. For 2006-07, actual revenue of \$91.1 million, offset by actual departmental expenditure of \$70.1 million resulted in an increase in fund balance of \$21.0 million. For 2007-08, revenue is estimated at \$10.4 million less than budget. The 2007-08 budget included growth of 5% and 4% in sales tax and vehicle license fees, respectively. However, not only was no growth realized, but actual sales tax revenue and vehicles license fee revenues were 1.8% and 1.1% short of base, respectively. Offsetting this decrease is savings in departmental expenditures of \$7.0 million, resulting in an estimated decrease of \$5.1 million in fund balance for the period ending June 30, 2008.

For 2008-09, ongoing expense and ongoing revenue are expected to result in a surplus of \$12.2 million. Despite this surplus, it should be noted that budgeted revenues reflect a decrease of \$5.2 million from prior year budget. Again, this decrease results primarily from the growth included in the 2007-08 budget not being realized, coupled with shortfalls in the sales tax base. This lag in sales tax is continued into 2008-09, which reflects only a 2.7% growth in sales tax. This limited growth also continues the assumption that sales tax collections will again be insufficient to cover annual caseload costs, increasing the cumulative caseload shortfall for the Social Services Realignment fund.

Breakdown of Department Usage of Social Services Realignment

	ACTUAL 2006-07	BUDGET 2007-08	ESTIMATE 2007-08	FINAL 2008-09
Social Services Programs*	62,512,385	65,612,683	59,306,689	73,621,778
California Childrens Services	3,120,482	3,984,187	3,285,562	4,359,733
Probation	2,660,630	2,700,630	2,700,630	2,700,630
County General Fund	1,799,000	1,799,000	1,799,000	1,799,000
Total Department Usage	70,092,497	74,096,500	67,091,881	82,481,141

* Soc. Svcs. Programs include: IHSS, Foster Care, Seriously Emotionally Disturbed, and Administrative Claim Matches

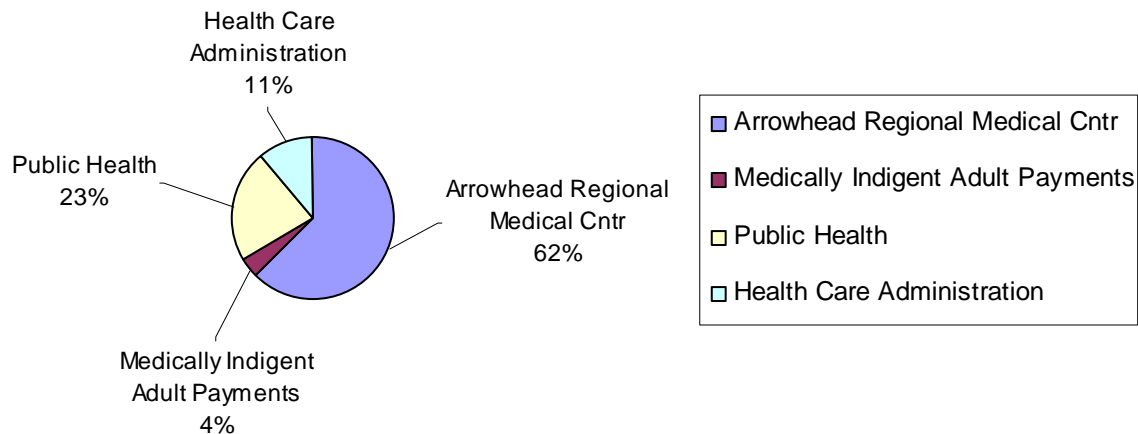


Health				
	ACTUAL 2006-07	BUDGET 2007-08	ESTIMATE 2007-08	FINAL 2008-09
Beginning Fund Balance	39,538,657	48,509,952	48,037,820	46,339,615
Revenue	61,171,823	62,833,705	60,429,336	62,247,073
Department Usage	52,672,660	69,075,809	62,127,541	64,276,606
10% Transfers	-	-	-	-
Ending Fund Balance	48,037,820	42,267,848	46,339,615	44,310,082
Change in Fund Balance	8,499,163	(6,242,104)	(1,698,205)	(2,029,533)

In 2006-07, actual revenue of \$61.2 million, offset by actual departmental expenditure of \$52.7 million resulted in an increase in fund balance of \$8.5 million. For 2007-08, as with the Mental Health and Social Services Realignment funds, the Health Realignment fund estimates a decrease in revenues. The decrease (\$2.4 million) is not as significant within the Health Realignment fund since Health is primarily funded with vehicle license fees at 73%, with the remaining 27% coming from sales tax. Vehicle license fees for 2007-08 were only 1.1% short of base, while sales tax revenue was 1.8% short of base. This slight decrease is offset by significant departmental expenditures savings of \$6.9 million, resulting in an increase in fund balance of \$4.1 million over budget. The departmental savings are primarily resulting from budgeted transfers in the amount of \$5.1 million to fund one-time projects at ARMC that did not occur, and are re-budgeted for 2008-09.

For 2008-09, the Health fund is budgeted to spend \$2.0 million of fund balance. Again, revenue is budgeted to reflect minimal sales tax growth of 2.7%, and slight growth of 4% in vehicle license fees. Offsetting this decrease in revenue is the significant decrease of \$4.8 million in departmental usage. There is a slight increase in department usage for Public Health to accommodate for SB90 mandates not expected to be reimbursed during 2008-09, offset by reduced Health Care Administration usage to reflect decreased net debt service payments. This decrease is the result of the final maturity of the 1997 Medical Center equipment bonds.

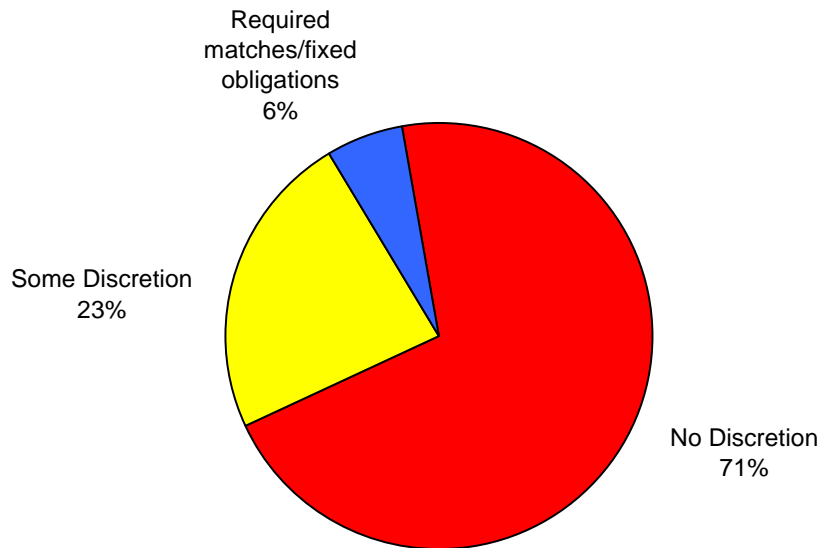
Breakdown of Departmental Usage of Health Realignment				
	ACTUAL 2006-07	BUDGET 2007-08	ESTIMATE 2007-08	FINAL 2008-09
Arrowhead Regional Medical Cntr	28,557,396	40,967,620	35,831,085	39,932,918
Medically Indigent Adult Payments	2,550,000	2,550,000	2,550,000	2,550,000
Public Health	13,793,258	14,164,292	13,042,669	14,729,074
Health Care Administration	7,772,007	11,393,897	10,703,787	7,064,614
Total Department Usage	52,672,660	69,075,809	62,127,541	64,276,606



COUNTYWIDE DISCRETIONARY REVENUE

The entire general fund budget including operating transfers is \$2.4 billion, however, the Board of Supervisors has no discretion on \$1.7 billion of this amount as seen in this pie chart.

2008-09 Final Budget General Fund Spending



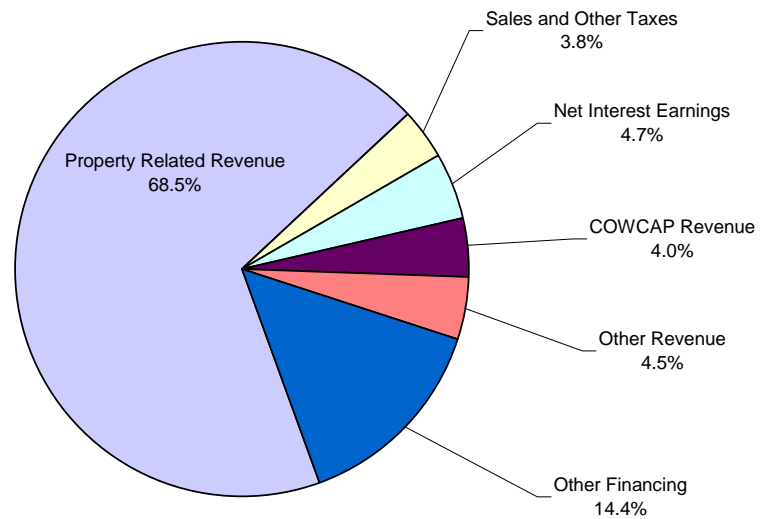
SPENDING WHERE THE BOARD HAS NO DISCRETION. INCLUDES:	1,698,266,062
Welfare costs reimbursed by state and federal monies (\$805.5 million)	
Other program costs funded by program revenues such as user fees (\$892.8 million)	
REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:	140,883,934
SPENDING WHERE THE BOARD HAS SOME DISCRETION. INCLUDES:	557,177,164
Reserve Contributions (\$5.0 million)	
Contingencies Contributions (\$88.2 million)	
Law and justice program costs funded by local revenues (\$280.5 million)	
All other program costs funded by local revenues (\$183.5 million)	
TOTAL:	\$2,396,327,160

The Board of Supervisors has authority over the countywide discretionary revenue, which totals \$698,061,098. This countywide discretionary revenue is first obligated to pay for the required health and welfare matches and other fixed obligations, which total \$140,883,934. The remaining amount of \$557,177,164 is available for the Board's discretion and finances departmental budgets' local cost.



Shown below are the sources of the countywide discretionary revenue for 2008-09, which total \$698,061,098:

Discretionary Revenue by Category 2008-09 Final Budget



Other Revenue Includes: Property Tax Admin Revenue, Other State and Federal Aid, Recording Fee Revenue, Treasury Management Pool Fees, and Other Revenue.

Other Financing Includes: Fund Balance, Use of Reserves and Operating Transfers.

Percentages may not add to 100% due to rounding.

COUNTYWIDE DISCRETIONARY REVENUE WHICH PAY FOR GENERAL FUND LOCAL COST

	Restated 2006-07 Final Budget	Restated 2007-08 Final Budget	2007-08 Actual	2008-09 Final Budget
Countywide Discretionary Revenue				
Property Related Revenue:				
Current Secured, Unsecured, Unitary	186,170,860	206,738,207	214,898,264	222,083,877
VLF/Property Tax Swap	187,409,286	208,146,542	215,060,239	221,512,046
Supplemental Property Tax	14,000,000	14,000,000	26,749,103	14,000,000
Property Transfer Tax	19,936,370	15,000,000	7,913,918	8,500,000
Sales Tax/Property Tax Swap	6,558,303	6,447,235	6,106,555	5,771,432
Penalty on Current Taxes	1,938,095	2,272,832	2,573,631	2,272,832
Prior Property Taxes, Penalties and Interest	3,806,646	3,860,659	6,389,371	3,860,659
Total Property Related Revenues	419,819,560	456,465,475	479,691,081	478,000,846
Sales and Other Taxes:				
Sales and Use Tax	16,517,373	16,432,119	13,463,924	17,005,469
Franchise Fees	6,715,000	7,120,050	6,678,353	7,493,050
Hotel/Motel Tax	1,176,978	1,200,000	1,554,746	1,400,000
Other Taxes	700,000	750,000	939,202	790,000
Total Sales and Other Taxes	25,109,351	25,502,169	22,636,226	26,688,519
Net Interest Earnings	23,154,000	31,000,000	42,034,295	33,000,000
COWCAP Revenue	20,739,704	25,196,750	25,086,312	27,958,508
Property Tax Admin Revenue	12,773,384	13,800,000	21,405,213	17,800,000
Recording Fee Revenue	11,167,902	8,616,493	4,795,458	5,200,000
State and Federal Aid	3,647,156	3,660,738	4,323,585	3,649,060
Booking Fee Revenue	2,500,000	3,000,000	473,171	-
Treasury Pool Management Fees	2,219,195	2,503,298	2,432,149	2,609,234
Other Revenue	3,430,000	2,430,000	10,247,649	2,430,000
Total Countywide Discretionary Revenue	524,560,252	572,174,923	613,125,138	597,336,167
Other Financing Sources				
Fund Balance, beginning	100,698,815	56,425,431	56,425,431	77,342,818
Reimbursements	583,586	-	-	-
Use of Reserves	6,063,708	2,688,000	614,967	4,096,300
Operating Transfers In	32,116,449	19,105,406	19,126,652	19,285,813
Total Other Financing Sources	139,462,558	78,218,837	76,167,050	100,724,931
Total Countywide Discretionary Revenue and Other Financing Sources	664,022,810	650,393,760	689,292,188	698,061,098

The restatement of the 2006-07 and 2007-08 revenue numbers is due to the reclassification of Property Transfer Tax and Sales Tax / Property Tax Swap into the Property Related Revenue category from the Sales and Other Taxes category.

The 2008-09 general fund financing includes Countywide Discretionary Revenue of \$597.3 million and Other Financing Sources of \$100.7 million.

Countywide Discretionary Revenue

Secured Property Tax

Secured Property Tax Revenue makes up \$200.8 million of the \$222.1 million in the 2008-09 "Current Secured, Unsecured, Unitary" budgeted revenue number. This budgeted amount is projected using an estimated 3.0% increase in secured assessed valuation for 2008-09 translated to a 3.0% increase in secured property tax revenue for the county general fund. This increase is based on growth estimates provided by the County Assessor's office. This growth rate is in sharp contrast to the double digit growth rates experienced in recent years and is attributable to a sharp decline in the number of home sales, median prices, increases in foreclosure activity and reductions in the fair market value of residential properties.



Secured property tax revenue is normally budgeted at a slightly lower growth rate than secured assessed valuation for the reasons noted below. For 2008-09 the budgeted growth in secured property tax revenues is equal to the estimated growth in assessed valuation.

The table below compares the increase in secured assessed valuation for the last six years to the increase in secured property tax revenue of the county general fund (adjusted for one-time revenue changes such as ERAF III).

Fiscal Year	Countywide Locally Assessed Secured AV	Percent Increase	County General Fund Secured Revenue - Adjusted	Percent Increase
2002-03	85,194,704,924	8.07%	103,724,492	7.58%
2003-04	92,745,938,042	8.86%	114,005,166	9.91%
2004-05	103,488,544,441	11.58%	127,110,535	11.50%
2005-06	118,871,872,729	14.86%	143,559,894	12.94%
2006-07	141,392,463,582	18.95%	168,345,431	17.26%
2007-08	163,804,951,657	15.85%	192,290,818	14.22%

As is evident in the table, county general fund revenue does not usually increase at the same rate as secured assessed valuation. This difference is not due to delinquent tax payments. The County participates in the Teeter method of property tax allocation for secured property tax revenues. Therefore the County, and all other agencies participating in the Teeter program, receives 100% of the secured property tax revenue to which it is entitled, regardless of payment status. Instead, the mismatch between assessed valuation growth and revenue growth can be caused, in part, by assessed valuations increasing at a different rate in cities than in the unincorporated areas of the County (where the County gets a larger share of the property tax revenue). Other reasons for this mismatch include:

Redevelopment Agency Allocations:

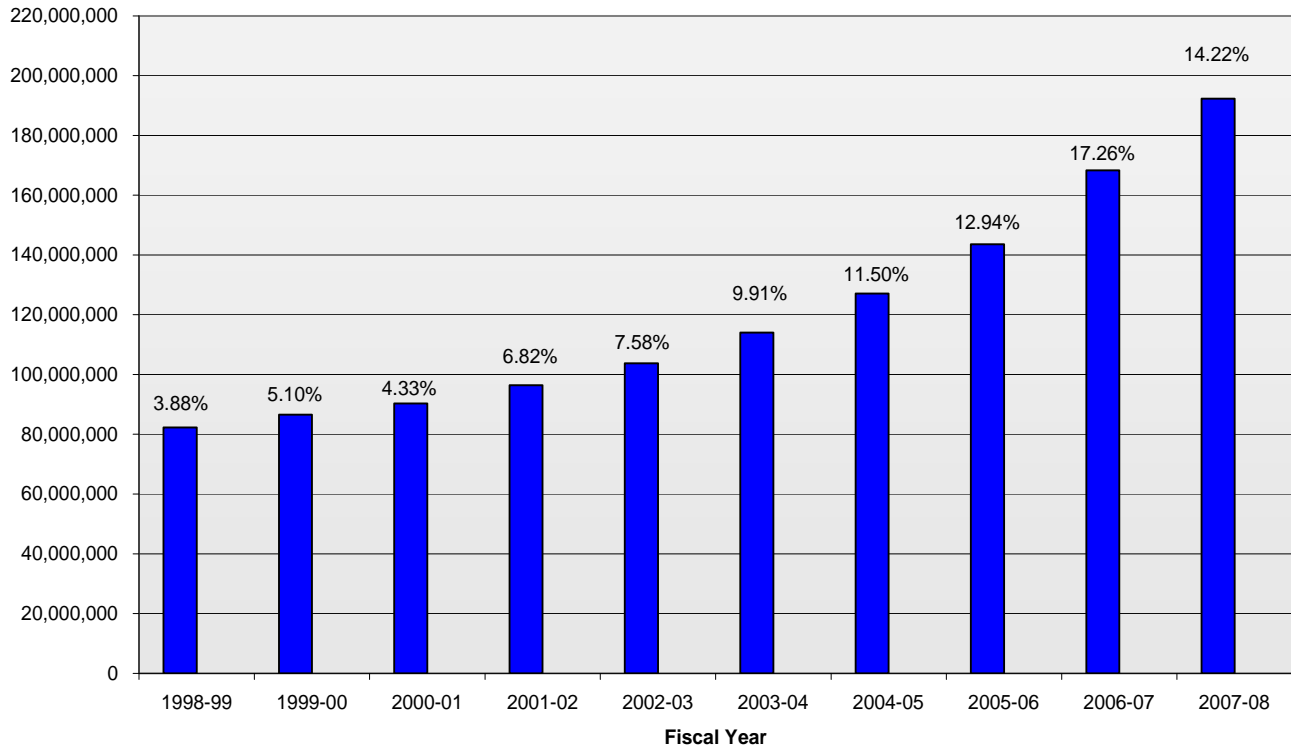
When a redevelopment project area is created, future increases in property tax revenue are allocated to the Redevelopment Agency, instead of being apportioned through the normal allocation process to the County, Cities, Schools and Special Districts. This results in a lowering of the County's percentage share of the total revenues generated by the secured property in the County. In some instances, this reduction in property tax revenue is partially offset by a pass through of a certain amount of these revenues back from the RDA to the County (and the other affected entities).

Incorporations/Annexations:

When a new city is created in the County, or when an existing city annexes additional land into its boundaries, the City takes on certain responsibilities for that geographic area that were previously the responsibility of the County and Special Districts. To fund this shift in responsibilities, the County, and any affected Special Districts, will have their share of property tax revenue reduced in favor of the City.

The following chart presents the most recent ten year trend of secured property tax revenue. Revenue has been adjusted for one-time revenue changes such as ERAF III.

**SECURED PROPERTY TAXES - ADJUSTED
TEN YEAR TREND
Dollars and Percent Change**



VLF/Property Tax Swap

Historically, approximately three-fourths of Vehicle License Fee (VLF) revenue was allocated to cities and counties as general purpose financing. Beginning in Fiscal Year 1998-99, the State reduced the VLF payment required from vehicle owners. However, the State made up the revenue impact of the VLF rate reductions with State general fund revenue (the 'VLF Backfill').

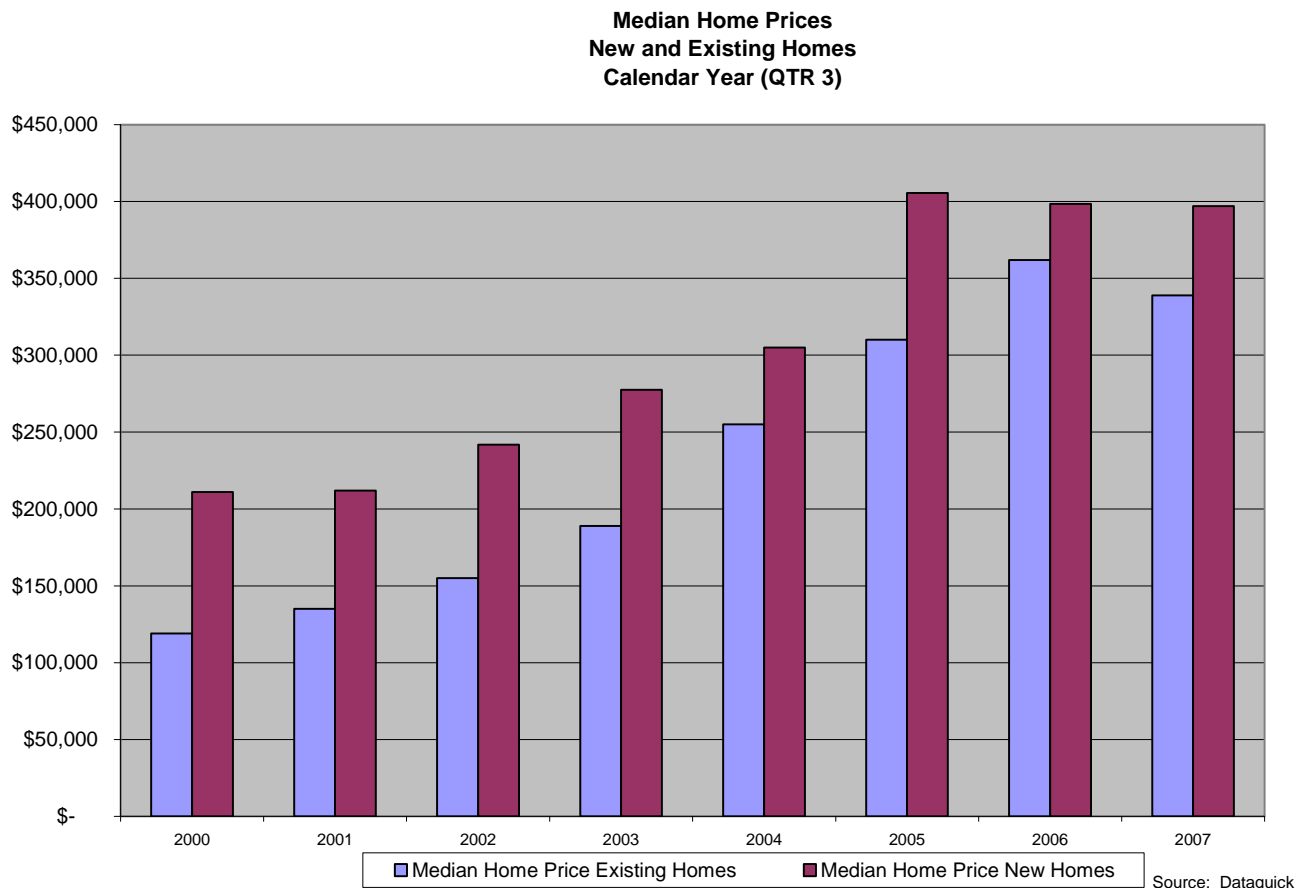
The VLF Backfill was eliminated in the 2004-05 State budget. In that year, the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenues allocated to schools and community colleges.

For 2004-05, the State established the base amount of the VLF/Property Tax Swap. The base is equal to the amount of VLF backfill that the counties and cities would have received in 2004-05, calculated using actual VLF receipt amounts for 2004-05. For years beginning in 2005-06, the VLF/Property Tax Swap amount is calculated using the prior year VLF/Property Tax Swap amount increased by a rate equal to the growth in assessed valuation. This growth rate includes both secured and unsecured assessed valuation, but excludes the growth rate of unitary valuations. For 2008-09, it is projected that this revenue will increase 3% over 2007-08 estimated revenue.

Supplemental Property Tax

Supplemental Property Tax payments are required from property owners when there is an increase in the assessed valuation of their property after the property tax bill for that year has been issued. Generally there are two types of events that will require a supplemental property tax payment: a change in ownership or the completion of new construction. As a result, when property values have been increasing and sales activity is high, there will be an increase in the number and dollar amount of supplemental property tax bills, which will result in increased supplemental property tax revenue to the County. The opposite is true when home prices and sales volume is declining. In fact, when the sales price of a property is lower than the current assessed value of the property, a refund may be due to the property owner.

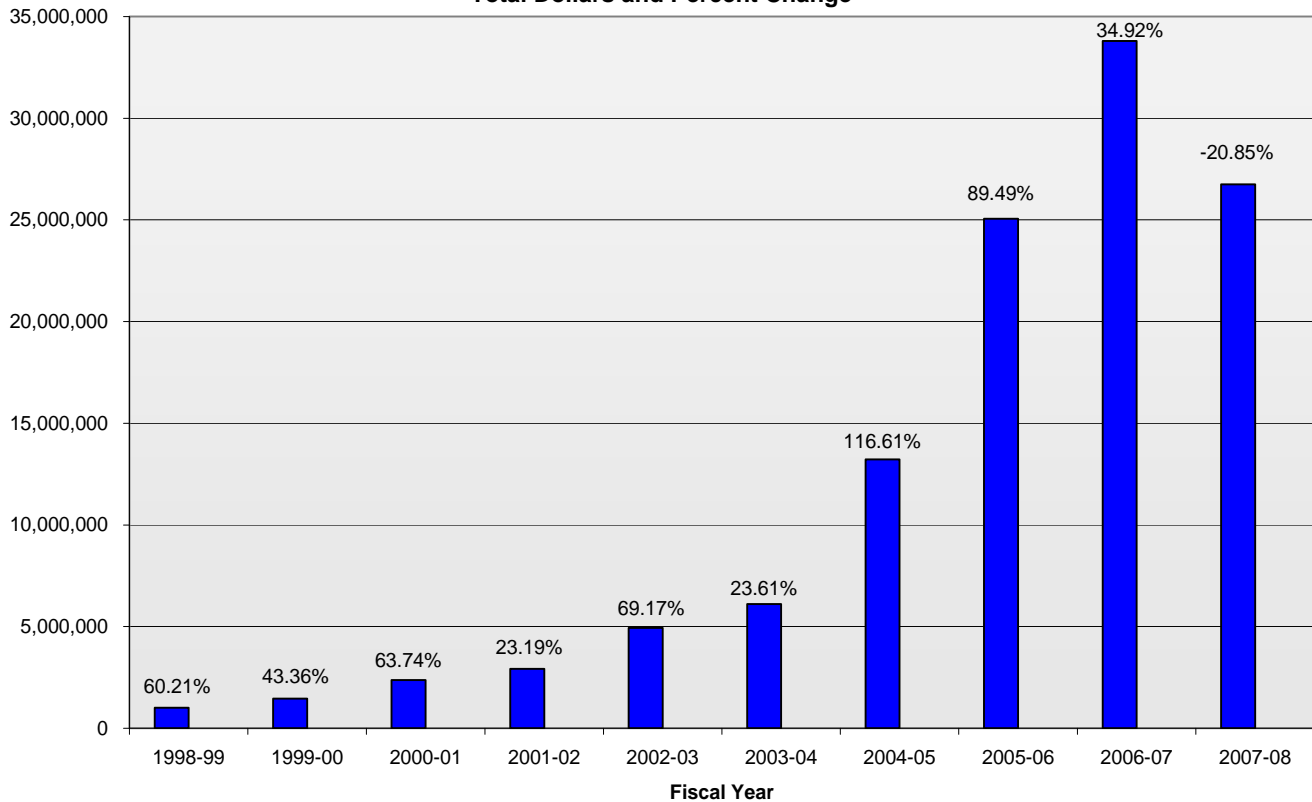
Through 2005, the County experienced dramatic increases in housing sales and housing prices. However, as shown in the chart below, the median home prices for new homes began to decline in 2006 followed by a decline in 2007 of median home prices for both existing and new homes. The following chart illustrates the annual change in housing prices for both new and existing homes.



In addition to the reduction in median prices, the number of home sales declined from 44,764 in 2006 to 24,035 in 2007. Sales figures continued to drop in the first half of 2008 and were down 27% from the same period in 2007. There is some indication that sales numbers may be leveling. The 27% decline in the first half of 2008 represents a decline of 45% in the first quarter and a decline of 7.8% in the second quarter. However, median home prices continue to decline.

In recent years the county has seen a dramatic rise in supplemental property tax revenue related to a strong housing market. Because the collection of these revenues may not occur for one to two years after the sale of the property, supplemental property tax revenue will generally lag the reality in the housing market by at least a year.

**SUPPLEMENTAL PROPERTY TAXES
TEN YEAR TREND
Total Dollars and Percent Change**

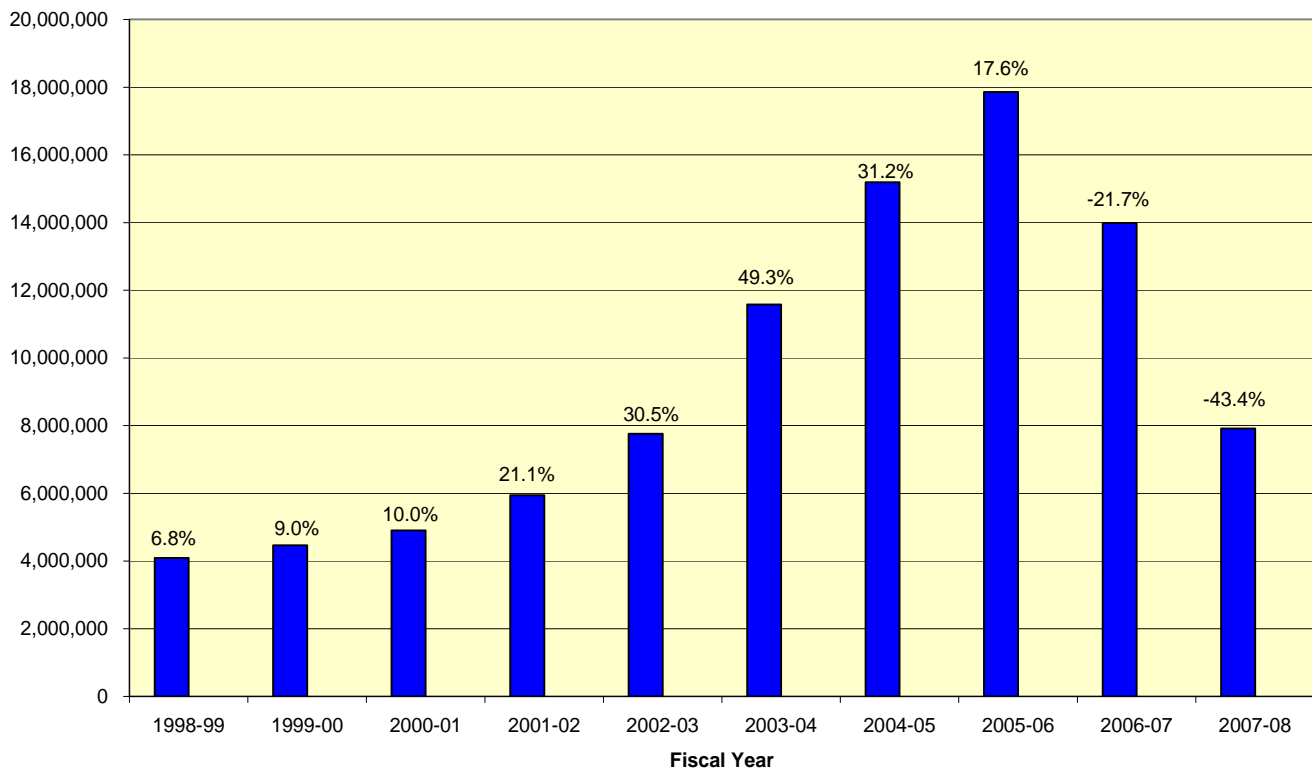


The County anticipated the housing slowdown in the 2006-07 final budget by budgeting a conservative \$14.0 million for supplemental property taxes. Although actual revenues for 2006-07 totaled \$33.8 million, and revenues for 2007-08 totaled \$26.7 million, the final budget for 2008-09 remains at \$14.0 million. This budgeted amount is the current estimate of the sustainable level of this revenue for the near future.

Property Transfer Tax

The Property Transfer Tax is collected when any lands, tenements, or other realty sold within the County is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser. The tax is imposed when the value of the property exceeds \$100. The tax rate is \$ 0.55 for each \$500 of property value. For sales in the unincorporated areas of the County, the County receives 100% of the tax. For sales in cities, the County receives 50% of the tax. This revenue has increased dramatically over recent years due to the high volume of housing sales and increasing housing prices, but is now declining due to the downturn in the housing market. The following chart presents the most recent ten year trend of property transfer tax revenue.

**PROPERTY TRANSFER TAX
TEN YEAR TREND
Total Dollars and Percent Change**



This revenue stream is dependent on the combination of sales prices and the number of sales transactions, and is expected to stabilize in 2008-09. Receipts in 2007-08 totaled \$7.9 million and are budgeted at \$8.5 million in 2008-09.

Sales Tax/Property Tax Swap

Effective with the fiscal year that began on July 1, 2004, the State changed the way sales tax revenue is distributed to counties and cities. Previously, counties and cities received 1% of the State's base 7.25% sales tax rate. Pursuant to new provisions enacted by the legislature, this 1% share of sales tax was reduced by .25%, to .75%. The additional .25% in sales tax revenue is redirected to the State to be used to fund debt service on the California Economic Recovery Bonds, which were approved by voters as Proposition 57. In return, counties and cities receive additional property tax revenue in an amount equal to the .25% sales tax revenues forgone, funded by reducing the schools share of property tax revenue. The state general fund then makes up the loss of property tax revenue to the schools. This change is referred to as the 'Triple Flip'. This Triple Flip will continue until the California Economic Recovery Bonds are paid.

The Triple Flip was designed to replace sales tax revenue on a dollar for dollar basis with property tax revenue. In practice, the additional property tax revenue paid to the counties and cities each year is based on an estimate of the agencies' sales tax revenue for the year plus a 'true-up' from the prior year. This true-up represents the difference between the additional property tax revenue paid to the local agency and the actual amount of sales tax revenue (the .25%) lost by the agency. The amount budgeted for the Triple Flip in 2008-09 anticipates a negative true-up adjustment in 2008-09 due to the current economy.

Sales and Use Tax

Countywide discretionary revenue includes .75% of the 7.75% sales tax rate charged on purchases made in the unincorporated areas of the County.

When preparing the annual budget, the County projects future sales tax revenue based on data provided by a local economist. For 2008-09, the economist has projected total sales tax revenues in the unincorporated area of \$19.1 million (after adjusting for the Triple Flip), which reflects an increase of 2.7%. The County has budgeted \$17.0 million. The major reasons for this difference include:

Sales Tax Sharing Agreement with the City of Redlands

In August of 2003, the County entered into a sales tax sharing agreement with the City of Redlands. Under the terms of this agreement, the City of Redlands provides government services to an unincorporated area of the County, and in return the County pays the city a percentage of the sales tax revenue generated in that geographical area. This geographic area has and continues to add numerous retail establishments and generates a considerable amount of sales tax revenue. Under the terms of the sales tax sharing agreement, the County currently pays the City of Redlands 90% of the County's discretionary sales tax revenue generated in this area.

Potential Annexations and Incorporations

Based on recent estimates, and adjusted for recent annexations, approximately 47% of the County's discretionary sales tax revenue is generated in the unincorporated portion of the spheres of influence of the 24 cities that are within the county's boundaries. A sphere of influence is a 'planning boundary within which a city or district is expected to grow into over time'. Therefore, the areas within these spheres are likely to be annexed, and once annexed, the discretionary sales tax revenue generated in that area will go to the city instead of the County. The County would also lose sales tax revenue if a community in the unincorporated area of the County decided to create a new city (incorporate).

Net Interest Earnings

Net interest earnings for 2008-09 are projected at \$33.0 million. This is the amount that is considered sustainable in the near future.

COWCAP (County-Wide Cost Allocation Plan) Revenue

COWCAP revenue is reimbursement for overhead/indirect costs incurred by the general fund. Reimbursements are received from various state and federal grant programs (that permit such reimbursement) and fee supported general fund departments and taxing entities such as the library and Board-governed special districts. The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2008-09 County-Wide Cost Allocation Plan (COWCAP) published by the Auditor/Controller-Recorder.

Property Tax Admin Revenue

Property Tax Administration revenue consists of:

- SB 813 cost reimbursement, which represents allowable charges for administration and operation of the supplemental property tax program. This reimbursement is tied directly to the performance of supplemental property tax revenue.
- The property tax administrative fee, which the legislature provided to allow counties to recover the cost of the property assessment and tax collection process from certain other local jurisdictions. This revenue is tied directly to the cost of that collection effort.

Recording Fee Revenue

The Recorder's Division of the County's Auditor/Controller-Recorder's Office collects certain fees for the official recording of documents. In previous fiscal years, this revenue was budgeted in the Auditor/Controller-Recorder's budget unit. Due to the unpredictable nature of the recording fee revenue and the County Administrative Office's concern for stabilization of departmental financing, the Board approved placing the recording fee revenue in the countywide discretionary revenue in 2006-07.

State and Federal Aid

State and Federal aid consists of a payment from the welfare realignment trust fund, which replaced the state revenue stabilization program, and SB90 reimbursements from the state. It also includes revenues received from the Federal government's Payment in Lieu of Taxes (PILT) program. Under current law, local governments are compensated through various programs for losses to their tax bases due to the presence of most federally owned land. PILT for the county in 2008-09 is expected to grow slightly over the 2007-08 receipts.

Booking Fee Revenue

New legislation (AB 1805) in 2007-08 replaced counties' ability to assess booking fees. This legislation created a Local Detention Facility Revenue Account to be funded by a state allocation and to be used exclusively for the construction or operation of jails. Per the legislation, the ability to charge booking fees to cities is retained if the state does not appropriate \$35.0 million in funding under AB 1805. In addition, the legislation allowed for a Jail Access Fee for specified non-felony offenses when a jurisdiction exceeds a three-year average number of bookings for those offenses.

Currently, the Governor's 2008-09 Proposed State Budget includes an appropriation of \$31.5 million for this purpose. Of that amount, San Bernardino County's share of the state allocation is estimated at \$2,482,000. This new revenue stream is placed in the newly created Sheriff's Local Detention Facility Revenue budget unit as it must be used for the purpose stated above. Since the amount appropriated by the state is under \$35.0 million, the County would have the authority to retain a maximum booking fee in an amount designated to recoup the portion of funds under-appropriated by the state to the County. The amount under-appropriated is estimated at \$276,000. Countywide discretionary revenue has not included this amount due to the uncertainty of the state budget.

Treasury Pool Management Fees

Beginning in 2006-07, countywide discretionary revenue includes cost reimbursement for the management of the County's investment pool, which is projected to total \$2.6 million in 2008-09. In prior fiscal years, this revenue was budgeted in the Treasurer/Tax Collector's budget unit.

Other Revenue

Other revenue includes overhead charges recovered through city law enforcement contracts with the Sheriff's Department, voided warrants issued by the county, projected transfers of unclaimed property tax refunds to the general fund, the county share of vehicle code violation revenue, and other miscellaneous revenues.

Other Financing Sources**Fund Balance and Reimbursements**

The 2007-08 year-end fund balance for the general fund is \$77.3 million.

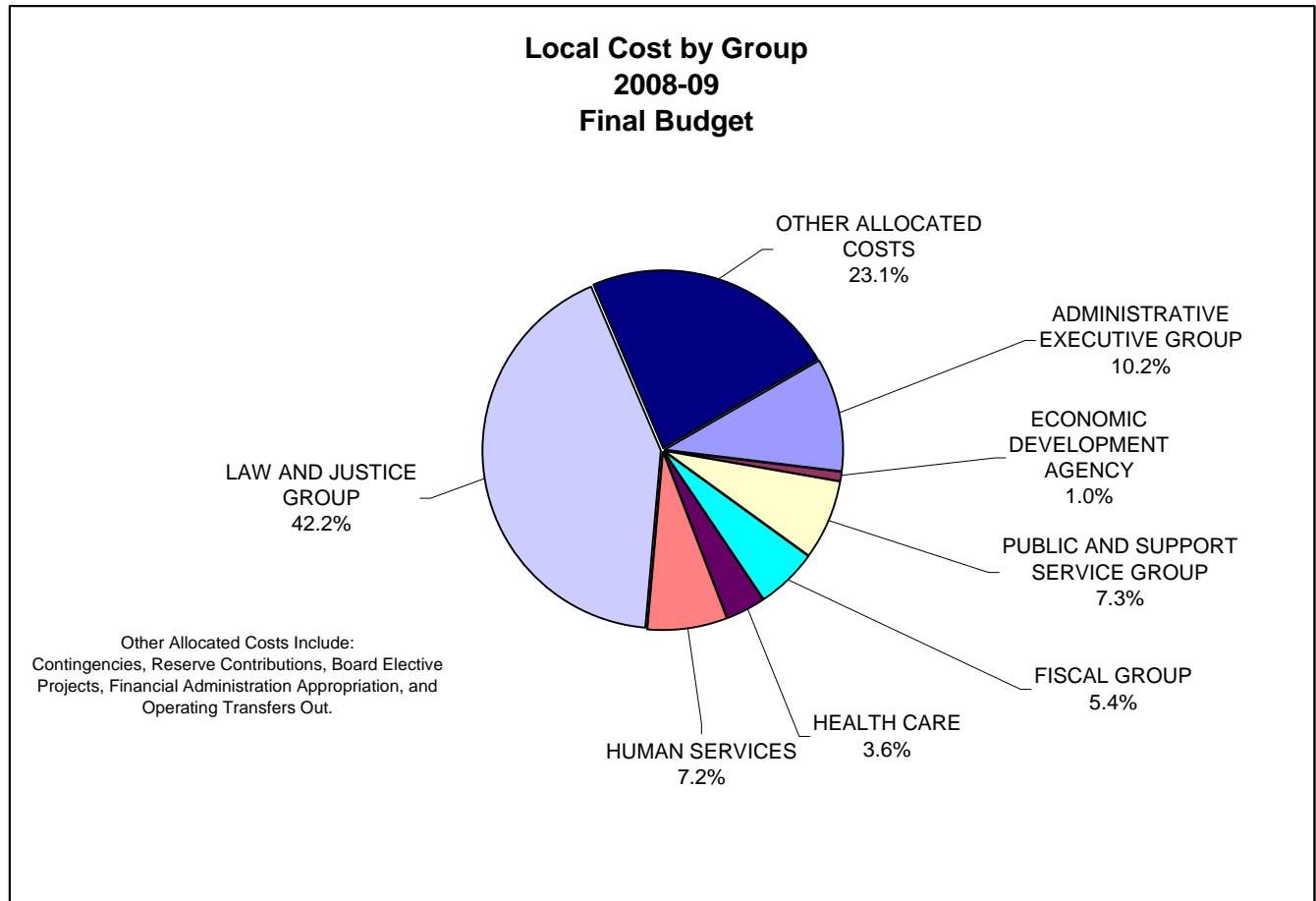
Use of Reserves

The 2008-09 budget incorporates the use of \$4.1 million from the Business Process Improvement Reserve.

Operating Transfers In

Operating transfers in include transfers from the Courthouse and Criminal Justice Construction funds of \$4.1 million to finance debt service on the Foothill Law and Justice Center, and \$15.0 million of tobacco settlement funds to provide funding for debt service on the Arrowhead Regional Medical Center.

Countywide discretionary revenue is allocated as local cost to various general fund departments within the county. The pie chart below shows what percentage of the local cost is allocated to each of the groups.



Percentages may not add to 100% due to rounding.

The schedule on the following page shows a comparison of prior year local cost and current year local cost by department. This schedule also includes appropriation and revenue, including operating transfers, which are mechanisms to move financing between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department's appropriation and revenue. Operating transfers are excluded from the countywide appropriation and revenue summaries presented in the County Budget Summary section, as their inclusion would overstate countywide appropriation and revenue on a consolidated basis.

Department Title	2007-08 Final Budget:			2008-09 Final Budget:			Change Between 2007-08 Final & 2008-09 Final:		
	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost	Appropriation	Revenue	Local Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	6,879,883	-	6,879,883	6,975,899	-	6,975,899	96,016	-	96,016
BOARD OF SUPERVISORS - LEGISLATION	898,405	-	898,405	902,075	-	902,075	3,670	-	3,670
CLERK OF THE BOARD	1,492,677	135,287	1,357,390	1,558,975	126,665	1,432,310	66,298	(8,622)	74,920
COUNTY ADMINISTRATIVE OFFICE	5,299,244	-	5,299,244	5,608,994	-	5,608,994	309,750	-	309,750
COUNTY ADMINISTRATIVE OFFICE - FRANCHISE ADMIN	304,387	-	304,387	-	-	-	(304,387)	-	(304,387)
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	388,681	-	388,681	388,681	-	388,681	-	-	-
COUNTY ADMINISTRATIVE OFFICE - JOINT POWERS LEASES	21,437,356	-	21,437,356	21,812,356	-	21,812,356	375,000	-	375,000
COUNTY COUNSEL	9,910,938	4,454,209	5,456,729	10,600,311	5,080,585	5,519,726	689,373	626,376	62,997
HUMAN RESOURCES	7,491,561	373,794	7,117,767	7,311,757	343,750	6,968,007	(179,804)	(30,044)	(149,760)
HUMAN RESOURCES-EMPLOYEE HEALTH AND WELLNESS	1,048,542	732,542	316,000	1,375,368	1,059,368	316,000	326,826	326,826	-
HUMAN RESOURCES-UNEMPLOYMENT INSURANCE	4,000,500	-	4,000,500	4,000,500	-	4,000,500	-	-	-
INFORMATION SERVICES-APPLICATIONS DEVELOPMENT	16,791,086	4,693,984	12,097,102	16,518,216	5,089,326	11,428,890	(272,870)	395,342	(668,212)
PURCHASING	1,307,588	50,000	1,257,588	1,436,783	184,143	1,252,640	129,195	134,143	(4,948)
LOCAL AGENCY FORMATION COMMISSION	338,215	-	338,215	350,000	-	350,000	11,785	-	11,785
COUNTY SCHOOLS	4,308,605	-	4,308,605	4,308,605	-	4,308,605	-	-	-
ADMIN/EXECUTIVE GROUP SUBTOTAL:	81,897,668	10,439,816	71,457,852	83,148,520	11,883,837	71,264,683	1,250,852	1,444,021	(193,169)
ECONOMIC DEVELOPMENT	7,866,652	604,000	7,262,652	7,318,898	580,000	6,738,898	(547,754)	(24,000)	(523,754)
ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:	7,866,652	604,000	7,262,652	7,318,898	580,000	6,738,898	(547,754)	(24,000)	(523,754)
ASSESSOR	18,354,905	1,385,000	16,969,905	19,138,707	1,050,000	18,088,707	783,802	(335,000)	1,118,802
AUDITOR-CONTROLLER/RECORDER	19,357,354	6,102,260	13,255,094	19,071,494	6,610,723	12,460,771	(285,860)	508,463	(794,323)
TREASURER-TAX COLLECTOR/PUBLIC ADMINISTRATOR	21,653,245	14,201,687	7,451,558	20,890,456	13,706,190	7,184,266	(762,789)	(495,497)	(267,292)
FISCAL GROUP SUBTOTAL:	59,365,504	21,688,947	37,676,557	59,100,657	21,366,913	37,733,744	(264,847)	(322,034)	57,187
HEALTH CARE	159,507,612	144,507,612	15,000,000	64,703,404	49,703,404	15,000,000	(94,804,208)	(94,804,208)	-
BEHAVIORAL HEALTH	178,566,791	176,724,038	1,842,753	197,547,716	195,704,963	1,842,753	18,980,925	18,980,925	-
BEHAVIORAL HEALTH - ALCOHOL AND DRUG SERVICES	22,108,176	21,958,718	149,458	23,105,034	22,955,576	149,458	996,858	996,858	-
PUBLIC HEALTH	86,748,420	82,052,587	4,695,833	81,595,216	78,022,947	3,572,269	(5,153,204)	(4,029,640)	(1,123,564)
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	19,246,486	15,262,299	3,984,187	19,960,669	15,600,936	4,359,733	714,183	338,637	375,546
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501	-	-	-
HEALTH CARE SUBTOTAL:	466,649,986	440,505,254	26,144,732	387,384,540	361,987,826	25,396,714	(79,265,446)	(78,517,428)	(748,018)
AGING AND ADULT SERVICES	11,317,320	10,115,916	1,201,404	10,184,380	8,952,676	1,231,704	(1,132,940)	(1,163,240)	30,300
AGING AND ADULT SERVICES - PUBLIC GUARDIAN	1,124,837	343,018	781,819	1,166,177	387,792	778,385	41,340	44,774	(3,434)
CHILD SUPPORT SERVICES	39,806,364	39,806,364	-	40,082,554	40,082,554	-	276,190	276,190	-
HUMAN SERVICES - ADMINISTRATIVE CLAIM	359,284,134	335,844,708	23,439,426	360,927,035	338,730,083	22,196,952	1,642,901	2,885,375	(1,242,474)
CHILD ABUSE /DOMESTIC VIOLENCE	1,970,307	1,970,307	-	1,622,818	1,622,818	-	(347,489)	(347,489)	-
ENTITLEMENT PAYMENTS (CHILD CARE)	85,905,228	85,905,228	-	85,905,228	85,905,228	-	-	-	-
OUT OF HOME CHILDCARE	777,722	-	777,722	859,415	-	859,415	81,693	-	81,693
AID TO ADOPTIVE CHILDREN	39,467,626	37,580,473	1,887,153	42,543,049	40,655,896	1,887,153	3,075,423	3,075,423	-
AFDC-FOSTER CARE	85,012,850	70,736,762	14,276,088	94,387,086	80,826,584	13,560,502	9,374,236	10,089,822	(715,586)
REFUGEE CASH ASSISTANCE	100,000	100,000	-	100,000	100,000	-	-	-	-
CASH ASSISTANCE - IMMIGRANTS	611,254	611,254	-	623,764	623,764	-	12,510	12,510	-
CALWORKS-ALL OTHER FAMILIES	191,880,000	187,770,991	4,109,009	228,225,185	223,207,546	5,017,639	36,345,185	35,436,555	908,630
KIN-GAP PROGRAM	6,984,009	5,896,566	1,087,443	6,161,472	5,135,205	1,026,267	(822,537)	(761,361)	(61,176)
SERIOUSLY EMOTIONALLY DISTURBED	4,761,913	3,781,511	980,402	5,000,301	3,976,989	1,023,312	238,388	195,478	42,910
CALWORKS-2 PARENT FAMILIES	15,674,688	15,322,821	351,867	24,880,956	24,276,491	604,465	9,206,268	8,953,670	252,598
AID TO INDIGENTS	1,181,027	341,471	839,556	1,469,770	451,134	1,018,636	288,743	109,663	179,080
VETERAN'S AFFAIRS	1,479,719	336,500	1,143,219	1,488,402	349,250	1,139,152	8,683	12,750	(4,067)
HUMAN SERVICES SUBTOTAL:	847,338,998	796,463,890	50,875,108	905,627,592	855,284,010	50,343,582	58,288,594	58,820,120	(531,526)
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	374,691	374,691	-	157,430	157,430	-	(217,261)	(217,261)	-
COUNTY TRIAL COURTS - GRAND JURY	343,249	-	343,249	388,592	-	388,592	45,343	-	45,343
COUNTY TRIAL COURTS - INDIGENT DEFENSE	9,158,413	-	9,158,413	9,283,413	125,000	9,158,413	125,000	125,000	-
COUNTY TRIAL COURTS - COURT FAC/JUDICIAL BENEFITS	1,786,037	-	1,786,037	1,875,564	-	1,875,564	89,527	-	89,527
COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS	869,933	-	869,933	869,334	-	869,334	(599)	-	(599)
COUNTY TRIAL COURTS - MAINTENANCE OF EFFORT	32,550,674	21,924,184	10,626,490	35,736,490	25,110,000	10,626,490	3,185,816	3,185,816	-
DISTRICT ATTORNEY - CRIMINAL	59,051,132	35,845,581	23,205,551	66,671,268	40,292,888	26,378,380	7,620,136	4,447,307	3,172,829
DISTRICT ATTORNEY - CHILD ABDUCTION AND RECOVERY	876,549	876,549	-	-	-	-	(876,549)	(876,549)	-
LAW & JUSTICE GROUP ADMINISTRATION	232,951	78,503	154,448	232,161	78,503	153,658	(790)	-	(790)
PROBATION-ADMIN, CORRECTIONS & DETENTION	113,707,485	49,355,959	64,351,526	114,124,910	49,243,806	64,881,104	417,425	(112,153)	529,578
PROBATION-COURT ORDERED PLACEMENTS	3,308,330	-	3,308,330	3,122,330	-	3,122,330	(186,000)	-	(186,000)
PUBLIC DEFENDER	33,823,747	1,400,000	32,423,747	33,786,524	1,702,204	32,084,320	(37,223)	302,204	(339,427)
SHERIFF	402,004,318	267,018,421	134,985,897	415,623,711	271,275,863	144,347,848	13,619,393	4,257,442	9,361,951
LAW AND JUSTICE GROUP SUBTOTAL:	658,087,509	376,873,888	281,213,621	681,871,727	387,985,694	293,886,033	23,784,218	11,111,806	12,672,412
PUBLIC AND SUPPORT SERVICES GROUP ADMIN	1,971,766	-	1,971,766	1,977,648	-	1,977,648	5,882	-	5,882
AGRICULTURE, WEIGHTS AND MEASURES	6,517,685	3,921,170	2,596,515	6,548,707	4,075,133	2,473,574	31,022	153,963	(122,941)
AIRPORTS	2,798,296	2,798,296	-	2,767,147	2,767,147	-	(31,149)	(31,149)	-
ARCHITECTURE AND ENGINEERING	585,320	-	585,320	585,320	-	585,320	-	-	-
COUNTY MUSEUM	3,911,145	1,753,400	2,157,745	4,144,827	1,520,579	2,624,248	233,682	(232,821)	466,503
FACILITIES MANAGEMENT	14,465,324	4,827,546	9,637,778	14,479,851	5,174,237	9,305,614	14,527	346,691	(332,164)
FACILITIES MANAGEMENT - UTILITIES	17,238,336	258,043	16,980,293	17,879,196	371,082	17,508,114	640,860	113,039	527,821
LAND USE SERVICES - ADMINISTRATION	-	-	-	440,000	440,000	-	440,000	440,000	-
LAND USE SERVICES - CURRENT PLANNING	3,406,036	3,406,036	-	3,335,080	3,335,080	-	(70,956)	(70,956)	-
LAND USE SERVICES - ADVANCED PLANNING	4,064,230	2,328,829	1,735,401	5,095,642	2,390,858	2,704,784	1,031,412	62,029	969,383
LAND USE SERVICES - BUILDING AND SAFETY	10,218,677	10,218,677	-	10,244,406	10,244,406	-	25,729	25,729	-
LAND USE SERVICES - CODE ENFORCEMENT	5,165,959	560,300	4,605,659	4,993,795	560,300	4,433,495	(172,164)	-	(172,164)
LAND USE SERVICES - FIRE HAZARD ABATEMENT	2,867,674	2,867,674	-	2,851,163	2,851,163	-	(16,511)	(16,511)	-
PUBLIC WORKS-SURVEYOR	5,400,409	5,132,271	268,138	5,203,207	4,935,069	268,138	(197,202)	(197,202)	-
REAL ESTATE SERVICES	2,647,980	1,542,667	1,105,313	2,544,054	1,538,500	1,005,554	(103,926)	(4,167)	(99,759)
REAL ESTATE SERVICES - RENTS AND LEASES	101,179	101,179	-	419,311	419,311	-	318,132	318,132	-
REAL ESTATE SERVICES - COURTS PROPERTY MANAGEMENT	437,165	392,165	45,000	382,430	337,430	45,000	(54,735)	(54,735)	-
REGIONAL PARKS	10,088,762	6,729,800	3,358,962	10,026,441	7,236,617	2,789,824	(62,321)	506,817	(569,138)
REGISTRAR OF VOTERS	11,694,748	8,077,133	3,617,615	8,418,890	3,480,870	4,938,020	(3,275,858)	(4,596,263)	1,320,405
PUBLIC AND SUPPORT SVCS GRP SUBTOTAL:	103,580,691	54,915,186	48,665,505	102,337,115	51,677,782	50,659,333	(1,243,576)	(3,237,404)	1,993,828
GENERAL FUND DEPARTMENT SUBTOTAL:	2,224,787,008	1,701,490,981	523,296,027	2,226,789,049	1,690,766,062	536,022,987	2,002,041	(10,724,919)	12,726,960
CONTINGENCIES	58,098,896	-	58,098,896	97,202,694	-	97,202,694	39,103,798	-	39,103,798
RESERVE CONTRIBUTIONS	14,544,909	-	14,544,909	7,481,825	-	7,481,825	(7,063,084)	-	(7,063,084)
BOARD ELECTIVE PROJECTS	15,812,788	-	15,812,788	14,830,389	-	14,830,389	(982,399)	-	(982,399)
FINANCIAL ADMINISTRATION APPROPRIATION	7,500,000	7,500,000	-	7,500,000	7,500,000	-	-	-	-
OPERATING TRANSFERS OUT	38,641,140	-	38,641,140	42,523,203	-	42,523,203	3,882,063	-	3,882,063
TOTAL COUNTYWIDE ALLOCATED COSTS:	134,597,733	7,500,000	127,097,733	169,538,111	7,500,000	162,038,111	34,940,378	-	34,940,378
GRAND TOTAL:	2,359,384,741	1,708,990,981	650,393,760	2,396,327,160	1,698,266,062	698,061,098	36,942,419	(10,724,919)	47,667,338

NOTE: Total countywide allocated costs on this schedule includes appropriation and reimbursements for Financial Administration. This appropriation is offset in the countywide discretionary revenue schedule on the net interest earnings line.



GENERAL FUND – FIVE YEAR OPERATING FORECAST, 2008-09 THROUGH 2012-13

Long-term financial planning is an effective tool for creating sustainable budgets and providing fiscal stability beyond the annual budget horizon. The County creates a five year operating forecast for the purpose of providing the Board of Supervisors with a framework for use in decision-making in order to maintain and continue the fiscal health of the County.

The forecast is not a budget. It is a question of priorities, not fiscal capacity. The plan identifies key factors that affect our fiscal outlook and assesses how difficult balancing the budget may be in the future. It helps us to understand the fiscal challenges facing the County as we make trade-offs between funding priorities.

This forecast is not a prediction of what is certain to happen but rather a projection of what will occur in the absence of any mitigating actions. As such, this plan highlights significant issues or problems that must be addressed in order to maintain a structurally balanced budget.

Significant Issues Impacting the General Fund:

- Revenue Growth has slowed dramatically due to a steep decline in real estate activity that has affected construction and retail spending. This has significantly impacted the County's property tax revenue as well as the County's sales tax revenue, including Prop 172.
- Salaries and Benefits are projected to increase. This increase is based on current negotiated agreements between the County and employee representation units. In years where no agreement has yet been negotiated, historical trends have been used.
- Retirement costs are anticipated to increase based on increases in salaries which are a factor in the calculation of retirement costs.
- Additional Staffing for the Adult Detention Center Expansion will require a significant amount of financing beginning in 2010-11.

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Beginning Financing Available	\$ 2.3	\$ (16.4)	\$ (31.3)	\$ (51.7)	\$ (84.5)
<u>Sources and Needs</u>					
Revenue Growth	12.2	22.6	23.9	34.3	34.7
Increase in Costs:					
Salaries and Benefits	(22.3)	(23.6)	(25.1)	(25.8)	(26.9)
Retirement	(5.0)	(8.2)	(7.1)	(8.5)	(7.6)
Adult Detention Center Staffing	-	-	(6.3)	(26.8)	-
New Judgeships Staffing	(1.9)	-	-	-	-
Other Costs	(1.7)	(5.7)	(5.8)	(6.0)	(5.9)
Ending Financing Available	<u>\$ (16.4)</u>	<u>\$ (31.3)</u>	<u>\$ (51.7)</u>	<u>\$ (84.5)</u>	<u>\$ (90.2)</u>

Due to the projected budget gaps, the uncertain revenue outlook, and operating cost pressures, the County Administrative Office has begun the development of a mitigation plan in order to maintain a structurally balanced budget.



CONTINGENCIES

The County Contingencies includes the following elements:

Contingencies**Mandatory Contingencies**

Board Policy requires the county to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the county's operations, which could not have reasonably been anticipated at the time the budget was prepared. Funding is targeted at 1.5% of locally funded appropriation.

Uncertainties

Any unallocated financing available from current year sources (both ongoing and one-time) that has not been set-aside and any unallocated fund balance carried over from the prior year, is budgeted in the contingencies for uncertainties. Final budget action includes a provision that allocates any difference between estimated and final fund balance to this contingencies account.

Ongoing Set-Aside Contingencies

The county budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of financing that have been targeted for future ongoing program needs.

	2007-08	2007-08	2008-09	2008-09
		Mid-Year Approved		
		Approved	Approved	
	Final	Contributions/	Contributions/	Final
	Budget	(Uses)	(Uses)	Budget
Contingencies				
Mandatory Contingencies (1.5% of Locally Funded Appropriation)	8,582,624		377,419	8,960,043
Uncertainties	14,616,272	(5,261,232)	39,987,611	49,342,651
Ongoing Set-Aside Contingencies				
Future Retirement Costs	7,900,000	(7,900,000)	7,900,000	7,900,000
Jail Expansion	7,000,000	(7,000,000)	7,000,000	7,000,000
Future Space Needs	20,000,000	(20,000,000)	20,000,000	20,000,000
Juvenile Maximum Security			4,000,000	4,000,000
Total Contingencies	58,098,896	(40,161,232)	79,265,030	97,202,694



2007-08 Mid-Year Changes to Contingencies for Uncertainties

For 2007-08 a mid-year Board action authorized a one-time increase to the Contingencies for Uncertainties in the amount of \$1,513,690. This increase was funded by the sale of an easement at the Milliken landfill.

For 2007-08 mid-year Board actions were authorized to use \$6,774,922 of the Contingencies for Uncertainties. These allocations include:

- \$3,300,000 in one-time funding to reimburse the Solid Waste Management division for the County's share of the Disaster Debris Management Program related to the Slide and Grass Valley fires.
- \$1,000,000 in one-time funding to provide funding for economic development activities at the Chino Airport.
- \$547,500 in one-time funding for environmental and engineering services related to the Cajon Creek Levee Alignment and Mitigation Plan at Glen Helen Regional Park and the Sycamore Creek/Sheriff Academy Channel Erosion Control Project.
- \$490,000 in one-time funding for the Mountain Marketing Campaign.
- \$452,000 in ongoing funding to provide the local cost portion of negotiated salary and benefit increases related to the approved memorandum of understanding with the California Nurses Association.
- \$250,000 in one-time funding to fund increased legal services associated with the Superior Court lawsuit of LodgeMakers v. County of San Bernardino, and other specialized counsel.
- \$212,047 in ongoing and \$53,000 in one-time funding for supplemental staffing for enforcement of Jessica's Law.
- \$200,000 in one-time funding to fund increased legal services associated with the Superior Court lawsuit of His Light Investments, Ltd, Olive Branch Investors LLC and William W. Greenway, Jr. versus the County of San Bernardino.
- \$71,000 in ongoing funding to fund classification actions relating to the reorganization of the Clerk of the Board office.
- \$69,120 in one-time funding to reimburse the Authority for the Handicapped for a receptionist.
- \$45,255 in ongoing funding for a new paralegal position for County Counsel.
- \$30,000 in one-time funding for consulting services related to the preparation of a greenhouse gas emissions reduction plan.
- \$30,000 in one-time funding to pay for background checks of volunteers participating in the County's Community Emergency Response Team (CERT) program in order to enhance the County's response capability in the event of a natural disaster.
- \$25,000 in one-time funding for the purpose of funding expenses related to the 2007 Sheriff's Benefit Rodeo.

2007-08 Mid-Year Changes to Ongoing Set-Aside Contingencies

- **Future Retirement Costs Ongoing Set-Aside:**

On May 6, 2008, the Board of Supervisors directed remaining balances in the ongoing set-asides be transferred to the corresponding reserve account per County Budget Financing Policy, 02-09. The unspent amount transferred equaled \$7.9 million.

- **Jail Expansion Ongoing Set-Aside:**

Mid-year Board actions authorized a one-time use of \$1.9 million of this set-aside to finance the design of the Adelanto Jail Expansion. On May 6, 2008, the Board of Supervisors directed remaining balances in the ongoing set-asides be transferred to the corresponding reserve account per County Budget Financing Policy, 02-09. The unspent amount transferred equaled \$5.1 million.

- **Future Space Needs Ongoing Set-Aside:**

Mid-year Board actions authorized a one-time use of \$350,000 of this set-aside to finance an increase in the County Government Center Master Plan Development project and a one-time use of \$1,537,000 to fund the High Desert Government Center project costs through the completion of the design. On May 6, 2008, the Board of Supervisors directed remaining balances in the ongoing set-asides be transferred to the corresponding reserve account per County Budget Financing Policy, 02-09. The unspent amount transferred equaled \$18,113,000.

2008-09 Mandatory Contingencies

The base allocation to the mandatory contingency budget of \$8,960,043 is established pursuant to Board policy, based on projected locally funded appropriation of \$597.3 million.

2008-09 Ongoing Set-Aside Contingencies

As seen in the Reserves section, the county has set aside a significant amount of one-time money that can assist the county temporarily for unforeseen increases in expenditure or reductions in revenues. Beginning in 2005-06 the county also began to set-aside portions of ongoing funding for future use. In the 2008-09 final budget, the county has set aside ongoing revenue sources to finance future ongoing expenditures in four different areas: retirement, jail expansion, future space needs and juvenile security.

- **Future Retirement Costs Ongoing Set-Aside:**

For the past few years, the County has seen significant retirement cost increases and predicts additional future increases based on unfunded liabilities that have occurred primarily as a result of lower than expected market returns. Beginning in 2004-05, the Board has set-aside \$7.9 million in ongoing revenue sources to assist in financing these cost increases at a future date.

- **Jail Expansion Ongoing Set-Aside:**

Beginning in 2004-05, the Board has set-aside \$7.0 million of ongoing money to address the future needs of the County's growing population. In 2006-07, the Board allocated this set-aside to a specific use, increased jail space.

- **Future Space Needs Ongoing Set-Aside:**

Beginning in 2006-07, the Board has set-aside \$20.0 million to address future space needs. This is based on a building analysis completed by staff. The space needs of the county continue to grow based on expansion of the area and the programs that service the county's growing population.

- **Juvenile Maximum Security Ongoing Set-Aside:**

Beginning in 2007-08, the Board has set-aside \$4.0 million for the construction of a new Central Juvenile Hall. This \$4.0 million was previously included in the \$19.3 million ongoing contribution to the Capital Improvement Program.

RESERVES

The county has a number of reserves (designations) that have been established over the years. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general purpose reserve are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County. On January 6, 1998, the Board of Supervisors adopted a county policy to provide guidelines and goals for reserve levels. That policy calls for the county's general purpose reserve to equal 10% of locally funded appropriation. The Board of Supervisors also established specific purpose reserves to temporarily help meet future needs.

	6/30/07 Ending Balance	Actual 2007-08		6/30/08 Estimated Balance	Approved 2008-09		6/30/09 Estimated Balance
		Contributions	Uses		Contributions	Uses	
General Purpose Reserve	52,456,025	4,761,467		57,217,492	2,516,125		59,733,617
Specific Purpose Reserves							
Future Space Needs	19,600,000	18,113,000		37,713,000	20,000,000 (1)		57,713,000
Retirement	30,700,000	7,900,000		38,600,000	7,900,000 (1)		46,500,000
Medical Center Debt Service	32,074,905			32,074,905			32,074,905
Jail Expansion	16,400,000	5,100,000		21,500,000	7,000,000 (1)		28,500,000
Juvenile Maximum Security	9,392,986	4,548,220		13,941,206	7,944,454 (2)		21,885,660
Teeter	17,747,201			17,747,201			17,747,201
Moonridge Zoo	3,750,000	1,000,000		4,750,000	1,000,000		5,750,000
Capital Projects	4,000,000			4,000,000			4,000,000
Insurance	3,000,000			3,000,000			3,000,000
Restitution	1,865,025		(75,000)	1,790,025			1,790,025
Electronic Voting	500,000		(130,000)	370,000			370,000
Business Process Improvement	564,778	4,235,222	(409,967)	4,390,033		(4,096,300) (3)	293,733
Justice Facilities	119,316			119,316	21,246		140,562
Total Specific Purpose	139,714,211	40,896,442	(614,967)	179,995,686	43,865,700	(4,096,300)	219,765,086
Total Reserves	192,170,236			237,213,178			279,498,703

(1) Amounts represent ongoing set-asides that are included in the 2008-09 final budget in the appropriation for contingencies, and not budgeted as Contributions to Reserves. They are included in this schedule because they are projected to remain unspent at the end of the 2008-09 fiscal year. Per County policy unspent ongoing set-asides at the end of the year will be transferred to the corresponding specific purpose reserve.

(2) Amount represents \$4.0 million in ongoing set-aside that is included in the 2008-09 final budget in the appropriation for contingencies, and not budgeted as Contributions to Reserves (see note (1)). This amount also includes 2007-08 local cost savings in the Probation department budget of \$3,944,454. This additional allocation is consistent with County Policy 02-10, and was approved by the Board in final budget action.

(3) Amount represents new 2008-09 uses of the Business Process Improvement Reserves totaling \$2,237,000 as well as carryover projects from 2007-08 which total \$1,859,300.



2007-08 Contributions

- \$4.8 million approved contribution to the General Purpose Reserve based on the 2007-08 final budget for countywide discretionary revenue which finances locally funded appropriation.
- \$18.1 million approved contribution to the Future Space Needs Reserve representing the 2007-08 ongoing set-aside that was unspent at the end of the 2007-08 fiscal year.
- \$7.9 million approved contribution to the Retirement Reserve representing the 2007-08 ongoing set-aside that was unspent at the end of the 2007-08 fiscal year.
- \$5.1 million approved contribution to the Jail Expansion Reserve representing the 2007-08 ongoing set-aside that was unspent at the end of the 2007-08 fiscal year.
- \$4.5 million approved contribution to the Juvenile Maximum Security Reserve from Probation Department savings in 2006-07.
- \$1.0 million approved contribution to the Moonridge Zoo Reserve.
- \$4.2 million approved contribution to the Business Process Improvement Reserve.

2007-08 Uses

- \$75,000 from the Restitution Reserve to fund legal services related to the recovery of funds involving corruption activities of former employees, officers and private individuals.
- \$130,000 from the Electronic Voting Reserve for the Registrar of Voters remodel project.
- \$2.7 million in uses were approved from the Business Process Improvement Reserve in the 2007-08 final budget. Final budget reserve allocations included \$0.4 million to the Assessor for phone system upgrades and development of mobile appraisal capabilities, \$0.2 million for Public Health web services improvements, \$0.3 million to convert four branch libraries from barcode to radio frequency identification technology, and \$1.8 million for a Sheriff Laboratory information management system. At the end of 2007-08 only \$409,967 of the approved reserve uses had been allocated to project expenditures.

2008-09 Approved Contributions and Uses

For 2008-09 the general purpose reserve is increased by \$2.5 million to conform to Board policy. This increase is based on projected locally funded appropriation of \$597.3 million and will bring the balance of the general purpose reserve to \$59.7 million. The Juvenile Maximum Security Reserve is increased by \$3.9 million, funded by 2007-08 savings from Probation's budget units. The Moonridge Zoo reserve is increased by \$1.0 million and the Justice Facilities reserve is increased by \$21,246 from unspent amounts on completed projects. Uses of the Business Process Improvement Reserve include new allocations of \$2.2 million and \$1.9 million of allocations from the prior year for projects not yet completed. Major new allocations include \$0.8 million for the Sheriff's department data conversion project, \$0.4 million for Land Use Services web-based enhancements for development and construction plan review, \$0.4 million for a case management system in the Public Defender's office, and \$0.2 million to convert three branch libraries from barcode to radio frequency identification technology. Approved allocations for projects not completed in 2007-08 are \$1.8 million for the Sheriff's Laboratory Information System and \$59,300 for Public Health web services improvements.

The chart on the following page shows recent history of the County Reserve levels.

	County Reserves History					Adopted
	Year End Actual Balances					
	2003-04	2004-05	2005-06	2006-07	2007-08	
Total General Purpose Reserve	34.8	37.2	41.7	52.5	57.2	59.7
Specific Purpose Reserves						
Future Space Needs	-	-	-	19.6	37.7	37.7 (2)
Retirement	7.0	7.0	14.9	30.7	38.6	38.6 (2)
Medical Center Debt Service	32.1	32.1	32.1	32.1	32.1	32.1
Jail Expansion (formerly Future Financing)	-	-	7.0	16.4	21.5	21.5 (2)
Juvenile Maximum Security	1.5	1.5	5.7	9.4	13.9	17.9 (2)
Teeter	19.3	19.3	17.7	17.7	17.7	17.7
Moonridge Zoo	-	-	-	3.8	4.8	5.8
Capital Projects Reserve	4.0	4.0	4.0	4.0	4.0	4.0
Insurance	3.0	3.0	3.0	3.0	3.0	3.0
Restitution	2.1	1.6	1.9	1.9	1.8	1.8
Electronic Voting System	-	0.5	0.5	0.5	0.4	0.4
Business Process Improvement	-	3.0	2.5	0.6	4.4	0.3
Justice Facilities	3.7	1.3	0.6	0.1	0.1	0.1
Museum's Hall of Paleontology	0.9	1.7	3.7	-	-	-
L&J Southwest Border Prosecution Initiative	3.4	1.9	1.7	-	-	-
Equity Pool	4.4	3.5	1.5	-	-	-
Bark Beetle	1.8	1.7	-	-	-	-
Total Specific Purpose Reserves	(1) 83.1	82.0	96.9	139.7	180.0	180.9 (2)
Total Reserves	(1) 118.0	119.2	138.6	192.2	237.2	240.6 (2)

(1) Totals may not add due to rounding.

(2) The Adopted 2008-09 column of this schedule includes only those reserve allocations included in the final budget.

Amounts differ from the Total Reserves detail schedule presented on the previous page. The Total Reserves detail schedule presents estimated June 30, 2009 reserve levels, including estimates of final transfers of unspent ongoing set-asides to the corresponding reserve prior to fiscal year-end.



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COUNTY DEBT POLICY

The county has a separate policy that covers the issuance, management and administration of the county's portfolio of long term obligations. The policy requires, in general, that:

1. Debt will not be used to finance ongoing operational costs.
2. Whenever possible, the county will pursue alternative sources of funding in order to minimize the level of debt.
3. That whenever practical, voter approval on the method of debt shall be utilized.

More specifically, the policy includes guidelines on the following elements:

1. The policy allows for the issuance of variable rate obligations to the extent that they do not exceed 25% of total debt outstanding.
2. The policy details the guidelines to be followed prior to the issuance of variable rate debt including feasibility, structure, and annual analysis to determine advisability of conversion to fixed rate debt.
3. The policy requires that the term of bonds be no longer than the economic useful life of the property, or in excess of available payment streams.
4. The policy requires annual review of the county's portfolio of long term obligations to initiate any type of restructuring, refunding, or refinancing beneficial to the county.
5. The policy outlines requirements for the investment of bond proceeds.
6. The policy outlines the responsibilities of the county's Debt Advisory Committee, which is a formal committee of the Board of Supervisors. These responsibilities include oversight and review of all debt policy and debt issuance activities and to make recommendations to the Board of Supervisors regarding appropriate actions on debt matters.

CASH FUNDED PROJECTS

As detailed above, county policy requires prudent management of liabilities and, whenever possible, alternative sources of funding in order to minimize the level of debt. In the past several years, the county has satisfied certain portions of its capital needs without the issuance of long term obligations. This includes the major projects listed below:

- Construction of the High Desert Juvenile Detention Center, financed with a combination of state grant monies and the county's cash.
- The cash purchase of the Adelanto Adult Detention Facility.
- The cash purchase of an office building in downtown San Bernardino.



COUNTY BUDGET FINANCING POLICY AS IT RELATES TO LONG-TERM OBLIGATIONS

The county's Budget Financing Policy includes policies related to long-term obligations of the county. These include:

1. Retirement System Funding - Requires that the Board first consider setting aside any savings related to negative Unfunded Accrued Actuarial Liability to fund a reserve for reduction of any existing pension obligation bonds or as a hedge against future interest rate increases.
2. Use of Variable Rate Interest Savings - Requires that when amounts budgeted for variable rate interest expense on long-term obligations exceeds actual variable rate interest expense for the year, that such savings will be used in the succeeding fiscal year to reduce the outstanding principal of long-term obligations. This applies only to debt service paid from discretionary revenue sources of the general fund. It is normal for budgeted amounts to exceed actual amounts because debt covenants require conservative budgeting of variable rate interest expense.
3. Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt - Requires that any county benefit realized on interest rate swap agreements, when there is a potential mismatch between swap payments and debt service payments, be retained as a contingency to offset the county's share of increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million per interest rate swap agreement.

COUNTY LONG-TERM OBLIGATIONS

The following discussion relates to long-term obligations backed by the full faith and credit of the county's general fund⁽¹⁾. Other long-term obligations, such as those of the county's redevelopment agency and special districts are included in separate budget documents prepared for those entities.

The county's outstanding long-term debt obligations have been issued for the following purposes:

- To finance construction and improvement of county structures.
- To refinance county pension obligations.
- To finance improvements at the county owned landfills.

The county finances such projects with a variety of debt instruments. For construction and improvement projects, and for the improvement projects at the county landfills, the county has utilized lease obligations with a non-profit public benefit corporation. Such obligations are in the form of Certificates of Participation. For pension obligations the county has issued Pension Obligation Bonds.

(1) In June of 2007 the County privately placed \$18.4 million of revenue bonds for Courthouse improvements. These bonds are secured solely by a surcharge on civil filings that is collected by the local courts. These bonds are not backed by the County's general fund and are, therefore, not included in this discussion. For more information on the surcharge revenues see the 'Courthouse Seismic Surcharge' budget unit in the Law and Justice section of this document.

As of June 30, 2008, the county's long term obligations include obligations issued to finance or partially finance the following projects:

- Construction and equipping of the Arrowhead Regional Medical Center
- Construction of the West Valley Detention Center
- Construction of the Foothill Law and Justice Center and hangars at the Chino Airport
- Construction of the County Government Center
- Construction of the West Valley Juvenile Detention Center
- Retrofit of lighting and HVAC systems at various county facilities
- Finance of down payment on a preschool building in Ontario
- Construction of the Glen Helen Pavilion
- Improvement projects at county landfills
- Refinancing of a portion of the county's Unfunded Accrued Actuarial Liability in the years 1995 and 2004.

A summary of long-term obligations of the county, which includes a reference to the section of the book where the obligation is budgeted, is included on the following pages.

County of San Bernardino
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
Budgetary Basis

Fiscal Year Ending June 30	Pension Obligation Bonds						Certificates of Participation			
	2008		2004		1995		2008 Glen Helen Pavilion Series B ⁽¹⁾		2008 Glen Helen Pavilion Series A ⁽¹⁾	
	Pension Obligation Bonds \$160,900,000		Pension Obligation Bonds ⁽¹⁾ \$463,895,000		Pension Obligation Bonds \$386,265,591		\$5,695,000		\$8,860,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	-	7,668,226	-	17,730,281	25,215,000	8,601,520	130,000	385,818	580,000	416,290
2010	705,000	9,664,960	7,080,000	17,564,609	32,180,000	6,618,739	90,000	379,565	620,000	387,748
2011	735,000	9,621,616	9,245,000	17,171,047	36,615,000	4,222,399	70,000	374,580	605,000	356,779
2012	805,000	9,575,262	11,570,000	16,645,231	41,505,000	1,471,352	95,000	369,080	610,000	327,547
2013	880,000	9,524,543	14,100,000	15,973,653	13,160,377	32,059,623	75,000	362,404	630,000	296,578
2014	865,000	9,472,019	16,950,000	15,139,811	12,791,883	34,788,117	60,000	358,606	595,000	268,140
2015	920,000	9,418,290	20,020,000	14,127,066	12,401,627	37,653,373	75,000	353,713	595,000	239,643
2016	1,035,000	9,359,445	23,355,000	12,918,239	12,035,880	40,619,120	60,000	349,895	570,000	211,078
2017	1,060,000	9,296,385	27,025,000	11,491,751	11,673,496	43,711,504	40,000	345,001	590,000	181,698
2018	1,130,000	9,230,466	31,015,000	9,825,205	11,361,080	46,888,920	560,000	324,094	560,000	154,472
2019	19,990,000	8,594,754	16,235,000	8,453,186	11,054,980	50,205,020	600,000	284,759	555,000	127,253
2020	15,860,000	7,515,669	25,000,000	7,179,750	10,753,631	53,666,369	670,000	240,682	505,000	101,840
2021	20,880,000	6,409,795	25,000,000	5,584,250	10,507,053	57,227,947	710,000	193,064	515,000	76,082
2022	26,200,000	4,992,687	25,000,000	3,988,750	9,790,585	58,119,415	755,000	143,494	470,000	53,589
2023	31,875,000	3,244,630	25,000,000	2,393,250	-	-	830,000	88,282	445,000	31,099
2024	37,960,000	1,142,596	25,000,000	797,750	-	-	875,000	30,211	415,000	9,906
2025	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-
Totals	160,900,000	124,731,340	301,595,000	176,983,825	251,045,591	475,853,419	5,695,000	4,583,248	8,860,000	3,239,742

(1) Debt schedules for variable rate issues are based on the estimated average interest rate at the time of issuance and do not reflect amounts budgeted for the 2008-09 fiscal year.

(2) West Valley Detention Center



County of San Bernardino
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
Budgetary Basis

Certificates of Participation										Total Outstanding General Fund Debt	Fiscal Year Ending June 30
2002		2001/02		1997		1996		1996			
Justice Center Refunding \$68,100,000		WCVD Refunding ⁽²⁾ \$94,920,000		Public Imp. Financing \$17,790,000		Govt Center Refinancing ⁽¹⁾ \$39,600,000		WVDC Refinancing ⁽¹⁾⁽²⁾ \$9,200,000			
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
4,650,000	1,890,800	5,495,000	3,565,658	825,000	592,530	3,000,000	558,720	300,000	249,780	81,854,622	2009
4,790,000	1,704,800	5,720,000	3,331,020	870,000	551,415	2,200,000	462,690	300,000	238,920	95,459,465	2010
5,025,000	1,513,200	5,970,000	3,073,020	910,000	507,350	2,300,000	362,295	300,000	228,060	99,205,346	2011
5,155,000	1,312,200	6,225,000	2,805,270	460,000	473,100	2,400,000	257,535	300,000	217,200	102,578,776	2012
5,475,000	1,106,000	6,490,000	2,526,945	485,000	449,475	2,500,000	148,410	300,000	206,340	106,749,348	2013
5,585,000	887,000	6,800,000	2,220,884	505,000	424,725	2,600,000	34,920	300,000	195,480	110,841,584	2014
5,950,000	607,750	7,145,000	1,862,341	535,000	398,725	2,500,000	(74,205)	400,000	182,207	115,310,530	2015
6,205,000	310,250	7,510,000	1,484,761	560,000	370,650	2,500,000	-	400,000	167,727	120,022,044	2016
		7,900,000	1,087,081	590,000	340,463	-	-	400,000	153,247	115,885,625	2017
		8,305,000	668,031	620,000	308,700	-	-	400,000	138,767	121,489,734	2018
		8,735,000	226,531	655,000	275,231	-	-	400,000	124,287	126,516,001	2019
		-	-	600,000	242,288	-	-	400,000	109,807	122,845,035	2020
		-	-	630,000	210,000	-	-	400,000	95,327	128,438,518	2021
		-	-	665,000	176,006	-	-	500,000	78,433	130,932,960	2022
		-	-	695,000	140,306	-	-	500,000	60,333	65,302,900	2023
		-	-	735,000	102,769	-	-	500,000	42,233	67,610,465	2024
		-	-	775,000	63,131	-	-	500,000	24,133	1,362,265	2025
		-	-	815,000	21,394	-	-	500,000	6,033	1,342,427	2026
		-	-	-	-	-	-	-	-	-	2027
		-	-	-	-	-	-	-	-	-	2028
		-	-	-	-	-	-	-	-	-	2029
42,835,000	9,332,000	76,295,000	22,851,543	11,930,000	5,648,258	20,000,000	1,750,365	7,100,000	2,518,313	1,713,747,643	Totals



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

Fiscal Year Ending June 30	Certificates of Participation							
	2008 Solid Waste		County Medical Center		County Medical Center		County Medical Center	
	Series B ⁽¹⁾		Series 1998		Series 1997		Series 1996	
	\$74,390,000		\$176,510,000		\$121,095,000		\$65,070,000	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	6,430,000	4,885,772	1,000,000	7,373,939	16,410,000	402,045	60,000	3,259,913
2010	6,405,000	4,453,563	1,100,000	7,329,949	-	-	325,000	3,249,806
2011	6,915,000	3,995,678	1,200,000	7,281,770	-	-	340,000	3,232,350
2012	7,470,000	3,501,639	9,200,000	7,063,916	-	-	360,000	3,213,975
2013	8,045,000	2,967,926	9,600,000	6,670,103	-	-	380,000	3,194,550
2014	8,700,000	2,391,962	10,000,000	6,259,532	-	-	400,000	3,174,075
2015	9,385,000	1,769,970	10,500,000	5,830,108	-	-	420,000	3,152,550
2016	10,120,000	1,099,544	10,900,000	5,381,832	-	-	445,000	3,129,844
2017	10,920,000	376,820	6,400,000	5,019,440	-	-	465,000	3,105,956
2018	-	-	6,700,000	4,745,028	-	-	490,000	3,081,500
2019	-	-	8,700,000	4,422,436	-	-	515,000	3,056,375
2020	-	-	9,100,000	4,049,571	-	-	545,000	3,029,875
2021	-	-	7,500,000	3,701,842	-	-	570,000	3,002,000
2022	-	-	8,100,000	3,375,061	-	-	600,000	2,972,750
2023	-	-	8,400,000	3,029,427	-	-	630,000	2,942,000
2024	-	-	16,200,000	2,514,119	-	-	665,000	2,909,625
2025	-	-	16,900,000	1,820,757	-	-	695,000	2,875,625
2026	-	-	20,200,000	1,043,604	-	-	735,000	2,839,875
2027	-	-	14,810,000	310,232	-	-	7,120,000	2,643,500
2028	-	-	-	-	-	-	24,030,000	1,864,750
2029	-	-	-	-	-	-	25,280,000	632,000
Totals	74,390,000	25,442,874	176,510,000	87,222,667	16,410,000	402,045	65,070,000	60,562,894

(1) Debt schedules for variable rate issues are based on the estimated average interest rate at the time of issuance and do not reflect amounts budgeted for the 2008-09 fiscal year.

Budget Information:

The 2008 Series B Solid Waste Certificates of Participation are budgeted in the Public And Support Services Group section of this budget book, in the Solid Waste Management Division Operations Enterprise Fund.

The 1994, 1995, 1996, 1997 and 1998 Medical Center Certificates of Participation are budgeted in the Administrative/Executive Section of this budget book under County Administrative Office, Medical Center Lease Payments (Medical Center Enterprise Fund).



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

Certificates of Participation				Total Outstanding Enterprise Fund Debt	Fiscal Year Ending June 30
County Medical Center Series 1995 \$147,565,000		County Medical Center Series 1994 \$213,605,000			
Principal	Interest	Principal	Interest		
9,045,000	6,025,725	3,280,000	9,608,100	67,780,493	2009
9,705,000	5,369,475	3,480,000	9,405,300	50,823,093	2010
10,525,000	4,661,425	3,570,000	9,202,725	50,923,948	2011
3,245,000	4,187,588	3,775,000	9,000,738	51,017,855	2012
3,465,000	3,969,513	3,990,000	8,787,200	51,069,291	2013
3,705,000	3,736,488	4,205,000	8,561,838	51,133,894	2014
3,955,000	3,487,538	4,445,000	8,323,963	51,269,128	2015
4,225,000	3,221,688	4,695,000	8,072,613	51,290,520	2016
9,545,000	2,799,363	4,965,000	7,806,963	51,403,541	2017
10,140,000	2,211,425	5,235,000	7,526,463	40,129,415	2018
7,150,000	1,711,875	7,465,000	7,177,213	40,197,899	2019
7,560,000	1,307,350	7,880,000	6,755,225	40,227,021	2020
6,180,000	929,500	12,180,000	6,112,225	40,175,567	2021
6,720,000	574,750	12,570,000	5,340,250	40,252,811	2022
7,090,000	194,975	13,290,000	4,629,100	40,205,502	2023
-	-	14,090,000	3,876,150	40,254,894	2024
-	-	14,890,000	3,079,200	40,260,582	2025
-	-	13,060,000	2,343,225	40,221,704	2026
-	-	13,725,000	1,673,600	40,282,332	2027
-	-	13,675,000	1,005,694	40,575,444	2028
-	-	14,335,000	340,456	40,587,456	2029
102,255,000	44,388,675	178,800,000	128,628,238	960,082,393	Totals



EFFECTS OF EXISTING DEBT LEVELS ON CURRENT AND FUTURE OPERATIONS

Debt service on the Certificates of Participation and Pension Obligation Bonds referenced in the previous schedules will not negatively effect current or future operations of the county. In aggregate, current required debt service expenditures remain relatively level for all fiscal years through 2022-23 and then drop significantly in succeeding years.

The county is currently contemplating the issuance of additional Certificates of Participation to fund the expansion of the Adelanto Adult Detention Facility, and construction and improvements related to the implementation of a master space plan. The 2008-09 budget allocates ongoing (annual) financing sources of \$7.0 million for future debt service for the expansion of jail facilities and \$20.0 million for future debt service related to the implementation of the county's master space plan.

OTHER LONG-TERM OBLIGATION

The Library has a note payable to the California Infrastructure and Economic Development Bank for funds borrowed to finance the construction of a library in Apple Valley. This note is backed by the full faith and credit of the general fund; however it is paid from and budgeted in the Library budget, found in the Public and Support Services Group section of this budget book, in the Library Special Revenue Fund budget. The outstanding principal amount of this note as of June 30, 2007, the last date for which audited information is available, was \$1,761,717. Annual debt service on this obligation is approximately \$109,000 per year through fiscal year 2030-31.

LEGAL DEBT LIMIT

The county's legal debt limit, which applies only to General Obligation Bonds, is 1.25% of Assessed Valuation. As of June 30, 2007, the last date for which audited information on outstanding debt is currently available, the county's Debt limit and legal debt margin were calculated as follows:

	(1)	(1)	(1)	(1)
Fiscal	Assessed	Legal	Bonded	Legal
Year	Valuation	Debt Limit	Debt	Debt Margin
2006-07	152,041,485	1,900,519	1,815	1,898,704

(1) Amounts in thousands

Source: San Bernardino County Comprehensive Annual Financial Report for the year ended June 30, 2007

The county general fund has no outstanding General Obligation Bonds, and therefore no debt service payments for General Obligation Bonds are budgeted in this document. The Bonded Debt referred to in the table above is the debt of Special Districts and therefore is budgeted in a separate budget document.



CALIFORNIA GOVERNMENT CODE

Government Code Sections 29000 through 30200 provide the statutory requirements pertaining to the form and content of the state Controller's prescribed Line-Item Budget. Government Code Section 29009 requires a balanced budget in the proposed and final budgets, defined as "the budgetary requirements shall equal the available financing."

COUNTY CODE

Title 1. Division 2. Chapter 2:

Section 12.023:

The Administrative Officer shall be appointed by and serve at the pleasure of the Board of Supervisors.

Section 12.026:

Under the supervision of the Board of Supervisors, and subject to the approval and direction and control thereof, the Administrative Officer shall supervise the preparation of the annual County Budget. In the performance of this duty the Administrative Officer shall review all departmental and agency requests and all items in the proposed budget, including revenues, expenditures and reserves. The Administrative Officer shall submit his recommendation on the proposed budget to the Board of Supervisors.

BASIS OF ACCOUNTING

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued if their receipt occurs within sixty days after the end of the accounting period, and recognized as revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include; principal and interest on long-term debt is recognized when due, prepaid expenses are reported as current period expenditures rather than allocated and accumulated unpaid vacation, sick leave and other employee benefits are reported in the period due and payable, rather than in the period earned by employees.

Proprietary fund types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.

BASIS OF BUDGETING

Governmental Funds:

An operating budget is adopted each fiscal year for the governmental fund types in accordance with provisions of the County Budget Act. The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared using generally accepted accounting principles (GAAP). Budgets for the governmental fund types are adopted with the following differences from GAAP:

Encumbrance accounting is employed in governmental funds. For budget purposes, outstanding encumbrances (which represent the unspent amounts of purchase orders and contracts funded in the fiscal year), are treated as expenditures in that fiscal year. This affects only the "actual" data that appears in that budget book. For GAAP purposes, in the fund financial statements of the CAFR, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities. Appropriations for these encumbrance commitments survive the expiration of the fiscal year to the extent that encumbrances exist. Encumbrances cancelled subsequent to the end of the fiscal year also cancel the underlying appropriation.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Proprietary Funds:

The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriations, their budgetary controls are the same as those of the governmental fund types. Because these funds collect fees and revenues generally to cover the cost of the goods and services they provide, their accounting and budgeting bases are closer to commercial models. Budgeting, like accounting, is done on the accrual basis and generally according to GAAP.

COUNTY BUDGET AND FINANCE POLICIES

When building the 2008-09 budget, the County Administrative Office adhered to the County's four financing policies. A brief summary of the policies are presented below:

- 1) The **budget financing policy**, which states that one-time funds shall not be used to finance ongoing operational costs except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. This policy was amended February 13, 2007, to set-aside ongoing contingencies for future debt obligations or planned future ongoing program/operational needs. Additionally, this policy was further amended on June 26, 2007, to incorporate appropriation changes which include increases in appropriation authority, as well as, transfers of appropriation between appropriation units.
- 2) The **reserve and contingency policy**, which maintains an ongoing general purpose reserve equal to 10% of locally funded appropriation, coupled with an appropriated contingency fund equal to 1.5% of locally funded appropriation for the general fund. This policy was amended February 13, 2007, to include maintaining contingencies for the restricted financing funds (Prop 172 and Realignment), as well as the Master Settlement Agreement fund. These contingencies are targeted at not less than 10% of the current year's budgeted revenue for the restricted financing funds and the Master Settlement Agreement fund. This policy was also amended to allow a specific purpose reserve to be established and augmented using the respective department's annual local cost savings for large departmental projects.
- 3) The **debt policy**, which calls for the prudent management of liabilities, and wherever possible, the pursuit of alternative sources of funding in order to minimize the level of debt.
- 4) The **capital budget policy**, which ensures that the County maintains its public infrastructure in the most cost efficient manner. This policy was amended February 13, 2007, to update requirements for the approval process for capital project proposals specifically requiring the source of funding being identified for future staffing, operational, maintenance, and utility costs.

Detailed descriptions of each of these County financing policies are presented on the following pages.



Budget Financing Policy

The objective of the Budget Financing Policy is to help ensure the County has adequate resources to meet its basic financial obligations, and to serve as a vehicle to help the County achieve financial continuity and stability.

Balanced Budget

The annual operating budget will be structurally balanced upon adoption by the Board of Supervisors. Total revenues, including carry-over fund balances, will equal the total fund appropriation and reserves, unless it is within the context of a larger plan to balance ongoing revenues and expenses over a multi-year period, as detailed under "Use of one-time funding sources". Significant budget variances and recommended actions will be reported to the Board of Supervisors.

Long Range Planning

As part of the annual budget process, the County will prepare a multi-year forecast of financial operations for general fund programs based on current service levels and expected future changes to those programs or service levels. The County will project major revenues and expenditures of the general fund, and report significant findings and recommendations to the Board of Supervisors.

Appropriation Changes

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level (i.e., salaries and benefits, services and supplies, fixed assets, etc.) within budget units. Departments are expected to maintain expenditures within their budget authority as adopted by the Board of Supervisors.

Any increases in appropriation in a budget unit after adoption of the final budget require an item to be placed on the agenda of the Board of Supervisors and a four-fifths vote is necessary for approval.

Transfers of appropriation within the same budget unit may be approved by the County Administrative Office or Board of Supervisors depending upon the appropriation unit. Exceptions are noted below:

Transfer of Salaries and Benefits Appropriation:

- Transfers out funded with local financing are not allowed.
- Transfers out not funded with local financing requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in from other available appropriation within the budget unit will be required if budgeted salaries and benefits appropriation is inadequate to meet expenditures.

Transfer of Fixed Asset Appropriation:

- Transfers out requires an item to be placed on the agenda of the Board of Supervisors for approval.
- Transfers in, less than \$10,000 may be approved by the County Administrative Office.
- Transfers in, greater than \$10,000 requires an item to be placed on the agenda of the Board of Supervisors for approval.

Use of one-time funding sources

The appropriation of carryover fund balances and other one-time funding sources must be managed with care. Carry-over fund balance is most appropriately used to fund one-time expenses such as capital expenditures or start-up costs for new programs. Other types of one-time funding sources may also be used to fund one-time costs, or to supplement reserves. It is the policy of the County that one-time funds will not be used to finance ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. Such a plan could involve short-term use of one-time funds to preserve essential public services where longer-term financial forecasts demonstrate the near-term future potential for ongoing revenues to fund those services.

Ongoing Set-Asides

Ongoing set-asides represent ongoing sources of financing that have been targeted for future debt obligations or planned for future ongoing program/operational needs. Set-asides are appropriated as contingencies and approved during the formal adoption of the budget. Any balance of such contingency set-asides remaining at the end of the fiscal year shall be transferred into a corresponding general fund reserve account as of June 30. An agenda item is submitted annually for Board approval of such transfers.

Revenue Forecasting

Because of the complexity of the County budget, realistic projections of revenue are crucial to accurate budgeting. Revenue forecasting will be undertaken annually through a review of local historical revenue trends and analysis of federal, state, and local economic projections. Especially in regard to those revenues which tend to be most volatile and sensitive to changes in the economy, forecasting will involve analysis of economic, demographic, business cycle and other factors which might impact those revenues. These unpredictable revenues, including interest income and fees, will be estimated and budgeted conservatively. Revenue forecasts will not be based on straight-line assumptions.

Fees

The County will review and adjust fees for service, as necessary, and adopt them as part of the annual budget process. In most cases, departmental fees should fully recover the costs of providing the service, including identified indirect or overhead costs.

Program Efficiency and Performance Measurement

Efficiency and economy in the delivery of County services is a top priority. The County will develop a program to integrate performance measures within the budget. County departments will be encouraged to make productivity improvements within their service delivery areas.

Grant Funding

The County will aggressively pursue opportunities for federal or state grant funding. An aggressive policy to pursuing opportunities for federal or state grants provides citizens with the assurance that the county is striving to obtain all state and federal funds to which it is entitled – thereby reducing dependence on local taxpayers' funds. However, prior to applying for, and accepting such intergovernmental aid, the County will consider the current and future implications of either accepting or rejecting the grant. That consideration shall include: 1) the amount of matching fund required; 2) in-kind services to be provided; 3) length of grant and whether the county is required to continue the service after the grant has ended; and 4) related operating expenses. The County shall also assess the merits of any individual grant program as if it were funded with local tax dollars.

Retirement System Funding

Careful management of financial resources to pay retirement costs is critical to the County's long-term financial health. Accordingly, for any savings resulting from negative Unfunded Accrued Actuarial Liability (UAAL) contribution rates, the Board will first consider setting aside these savings in a reserve for reduction of any existing pension obligation bonds or as a hedge against future rate increases.

Use of Variable Rate Interest Savings

Covenants in debt instruments require conservative budgeting of variable rate interest expense. When amounts budgeted for variable rate interest expense for such debt instruments exceed actual interest expense for the year, such savings will be used in the succeeding fiscal year to reduce the total outstanding principal amount of long-term debt. This policy will apply only to interest savings/debt instruments that are paid from discretionary revenue sources of the County's general fund.

Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt

It is the policy of the Board that any benefit realized on interest rate swap agreements where the swap payment received by the County and the actual debt service payment due from the County are not equal per the terms of the swap agreement be retained as a contingency to offset the County share of any future increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million dollars per interest rate swap agreement. The contingency will be retained in the fund that is responsible for payments under the swap.

Reserve and Contingency Policy

The objective of the Reserve and Contingency Policy is to help protect the County from unforeseen increases in expenditures or reductions in revenues, or from extraordinary events which might otherwise substantially harm the fiscal health of the County. In so doing, it is also intended to help avoid undue service level fluctuations during periods of economic instability.

General Fund – Reserves and Contingencies

The maintenance of an adequate operating reserve is essential to the financial strength and flexibility of the County, and operating reserves are considered an integral part of the County's financial structure. Such reserves and designations are considered to be those that have no identified contingent liability or specific future use. The County shall establish a general purpose reserve for the general fund targeted at 10% of locally funded appropriation.

The County will also maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting the County's operations which could not have been reasonably anticipated at the time the budget was prepared. The County shall place in contingencies no less than 1.5% of locally funded appropriation.

Restricted Financing Fund – Prop 172 – Contingencies

Restricted Proposition 172 revenues are used solely for public safety programs. The County has allocated using the funds solely for the financing of the Sheriff, District Attorney, and Probation departmental programs. The County will maintain an appropriated contingency to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this restricted financing stream which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for Prop 172 funds shall be targeted at no less than 10% of the current year's budgeted Prop 172 revenue. Said contingencies shall be budgeted at the 10% level separately for each department receiving Prop 172 revenues.

Restricted Financing Funds – Realignment – Contingencies

Restricted Realignment funds are used in the financing of mental health, social services and health programs within the county. The County will maintain an appropriated contingency within these funds to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting these restricted financing funds which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for Realignment funds shall be targeted at no less than 10% of the current year's budgeted Realignment revenues. Said contingencies shall be budgeted at the 10% level separately for each program receiving Realignment revenues.

Master Settlement Agreement Fund – Contingencies

Master Settlement Agreement funds are used to finance health related expenditures. The County will maintain an appropriated contingency within the Master Settlement Agreement fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this fund which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency within this Master Settlement Agreement Fund shall be targeted at no less than 10% of the current year's budgeted Master Settlement Agreement revenues.

Specific Project Reserves

The County will fund specific project reserves for large departmental projects through the use of the respective department's local cost savings. Such projects would not normally be feasible for the department without reserving funding over a multiple year period. In order to establish a specific project reserve, departments must submit the proposed project to the County Administrative Office for consideration. A thorough review of the proposed project and a complete analysis of the estimated local cost savings will be performed by the County Administrative Office prior to recommendation of the project to the Board of Supervisors. Upon approval of the project by the Board of Supervisors, departmental savings will be reserved as deemed necessary by the County Administrative Office for funding of the specific project at fiscal year end. Each fiscal year thereafter, this process will continue until the specific project is completed.



Debt Policy

The objective of the County's Debt management policy is to minimize the amount of outstanding debt necessary to fulfill its infrastructure and economic development responsibilities, as well as to maintain the County's ability to incur present and future debt at minimal interest rates. The use of debt shall not endanger the County's ability to finance essential County services. The County recognizes that capital markets change and unforeseen circumstances may occur resulting in situations that are not covered by this policy. In such situations, flexibility to modify certain policy requirements may be necessary to achieve policy goals.

General

Debt will not be used to finance on-going operational costs. However, debt may be used, where economically efficient, to reduce or eliminate current long-term operational liabilities. Whenever possible, the County shall pursue alternative sources of funding, when cost effective, in order to minimize the level of debt.

Types of Debt

General Obligation Bonds (property tax supported) usage will be evaluated first since it is the least costly debt. Public support will be assessed for ballot placement due to the costs involved for an election. Revenue Bonds/Certificates of Participation may be considered for use where General Obligation Bonds are not practical. Short-term borrowing, such as commercial paper, bond anticipation notes, and lines of credit, will be considered as interim funding sources in anticipation of long-term financing.

Issuance

The County may elect to issue bonds/certificates of participation as variable rate instruments to provide flexibility and /or to attempt to achieve interest savings. There are guidelines to be considered when issuing variable rate debt: 1) Economic and cash flow projections for variable rate issues shall be calculated at the then applicable fixed rate. 2) The County will first consider structuring the principal and interest repayments related to the entire project for which the debt will be issued on an approximately equal annual basis over the life of the borrowing. 3) Total variable rate debt shall be limited to no more than 25% of total debt outstanding. 4) No less than annually, analysis of each outstanding variable rate bond issue shall be undertaken to determine the advisability of converting the issue to fixed-rate debt. 5) Variable rate bonds shall be structured to protect the County to the greatest extent possible against cyclical interest rate fluctuations.

Management

County financial management policies shall be designed to maintain a balanced relationship between debt service requirements and current operating costs, encourage growth of the tax base, actively seek alternative funding sources, minimize interest costs and maximize investment returns. In accordance with this principle, the following must be considered: 1) The County shall issue bonds with terms no longer than the economic useful life of the project. 2) The County shall obtain secured guarantees for bonds supported by a dedicated revenue source to the extent possible. 3) The County shall also obtain assurances of project viability and guarantees of completion prior to the issuance of bonds. 4) The County shall invest the proceeds of bond / certificates of participation sales to conform to State and County requirements to maximize investment security and earnings. 5) The County shall establish affordability guidelines in order to preserve credit quality, which may be suspended for emergency purposes, or because of unusual circumstances.

Capital Budget Policy

The objective of the Capital Budget policy is to ensure that the County maintains its public infrastructure in the most cost efficient manner. The County's capital budget will include as complete, reliable, and attainable cost estimates as possible.

Project cost estimates for the Capital Budget should be based upon a thorough analysis of the project and are expected to be as reliable as the level of detail known about the project. The plan for funding projected staffing, operation and maintenance, and utility costs must be identified as part of the approval process for each capital project. All Capital Budget proposals shall be formulated and presented to the Board of Supervisors within the framework of a general capital budget in conjunction with the operating County General Fund Budget. Capital projects which are not encumbered or completed during the fiscal year will be re-budgeted or carried over to the next fiscal year, except as reported to and subsequently approved by the Board. All re-budgeted capital projects will be so noted in the Adopted Capital Budget. Similarly, multi-year projects with unencumbered or unexpended funds will be carried over to the subsequent year(s).

Periodic financial reports will be prepared to enable the County Administrative Office to monitor/manage the capital budget and compare actual program revenues and expenditures with budgeted amounts. The Board may take necessary action, including increasing appropriation or revenue, to maintain a balanced Capital Budget. Major capital assets will be inventoried and assessed on an annual basis to project long-term equipment replacement and maintenance needs.





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